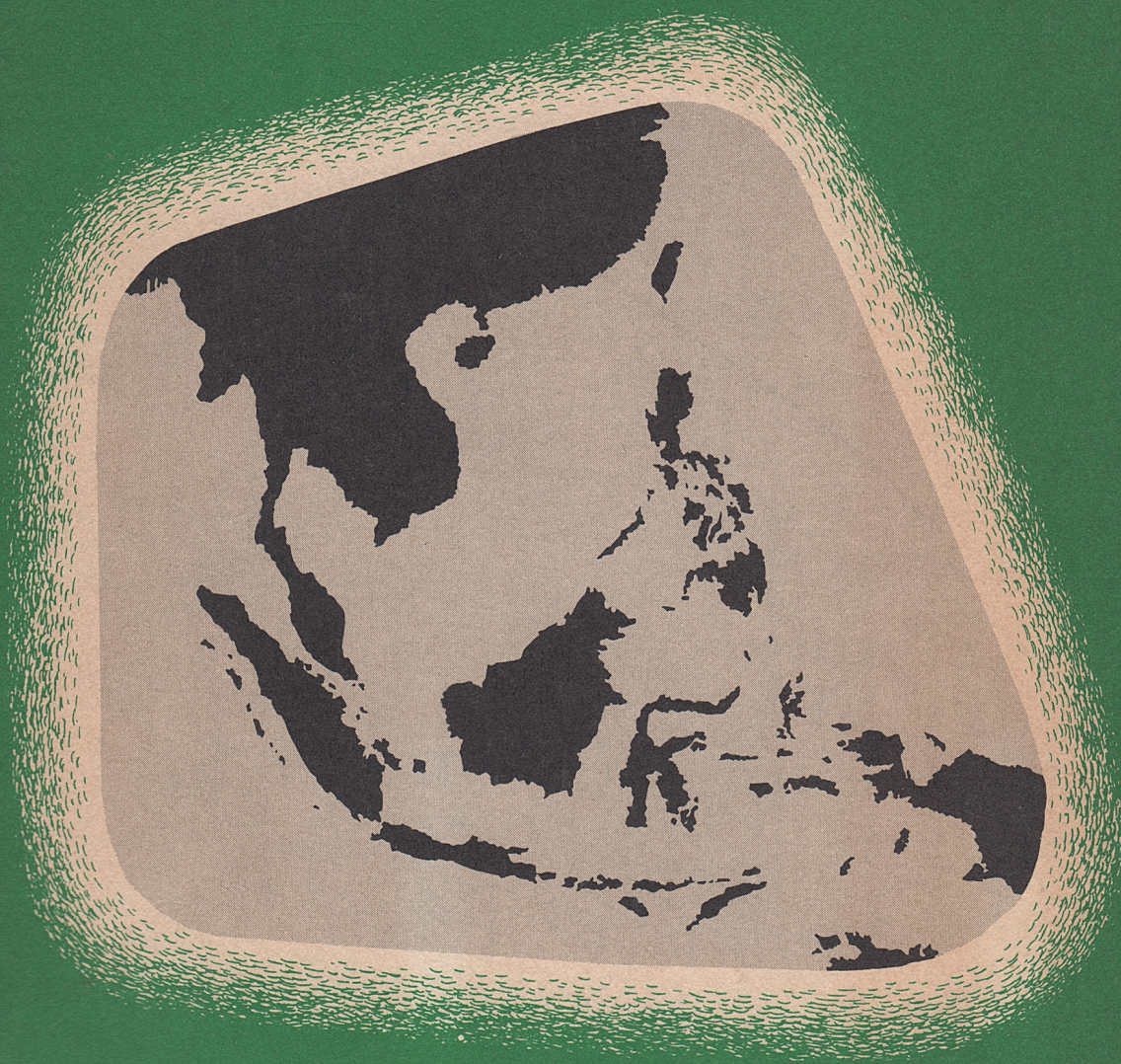


CHAMBER OF COMMERCE
OF THE UNITED STATES
BIS 890

REC'D APR 16 1953

Southeast Asia

and the economy
of the free world



Foreign Commerce Department

CHAMBER OF COMMERCE OF THE UNITED STATES

SOUTHEAST ASIA
AND THE
ECONOMY
OF THE
FREE WORLD

April 1952

A Report by the Foreign Commerce Department, Committee of the
CHAMBER OF COMMERCE OF THE UNITED STATES

FOREWORD

This study continues the series of reports by the Foreign Commerce Department of the Chamber of Commerce of the United States on various important areas of the world. In form and treatment "Southeast Asia and the Economy of the Free World" represents a departure from earlier studies. There are several reasons for this: the importance of Southeast Asia to the free world extends far beyond the purely economic; concern over the future of this corner of Asia is based on more than raw materials, strategy, or manpower.

The emphasis on the history of the countries treated in this publication is due to the desire to bring into focus the major problems of Southeast Asia, interrelated and interdependent as they are.

Although neither the historical nor the economic sections attempt to treat each subject exhaustively, it is hoped that this study will give the reader a better-than-birds-eye view of this part of the world which is so far from us in miles and in culture; Southeast Asia has recently become important to the survival of the free world, of which it still is a part.

An Appendix lists the members of the Foreign Commerce Department Committee (with the members of the Southeast Asia Subcommittee marked with an asterisk) under whose guidance this document was prepared.

KENNETH H. CAMPBELL

Manager

Foreign Commerce Department

SEP 21 1955
SEP 21 1955
SEP 21 1955

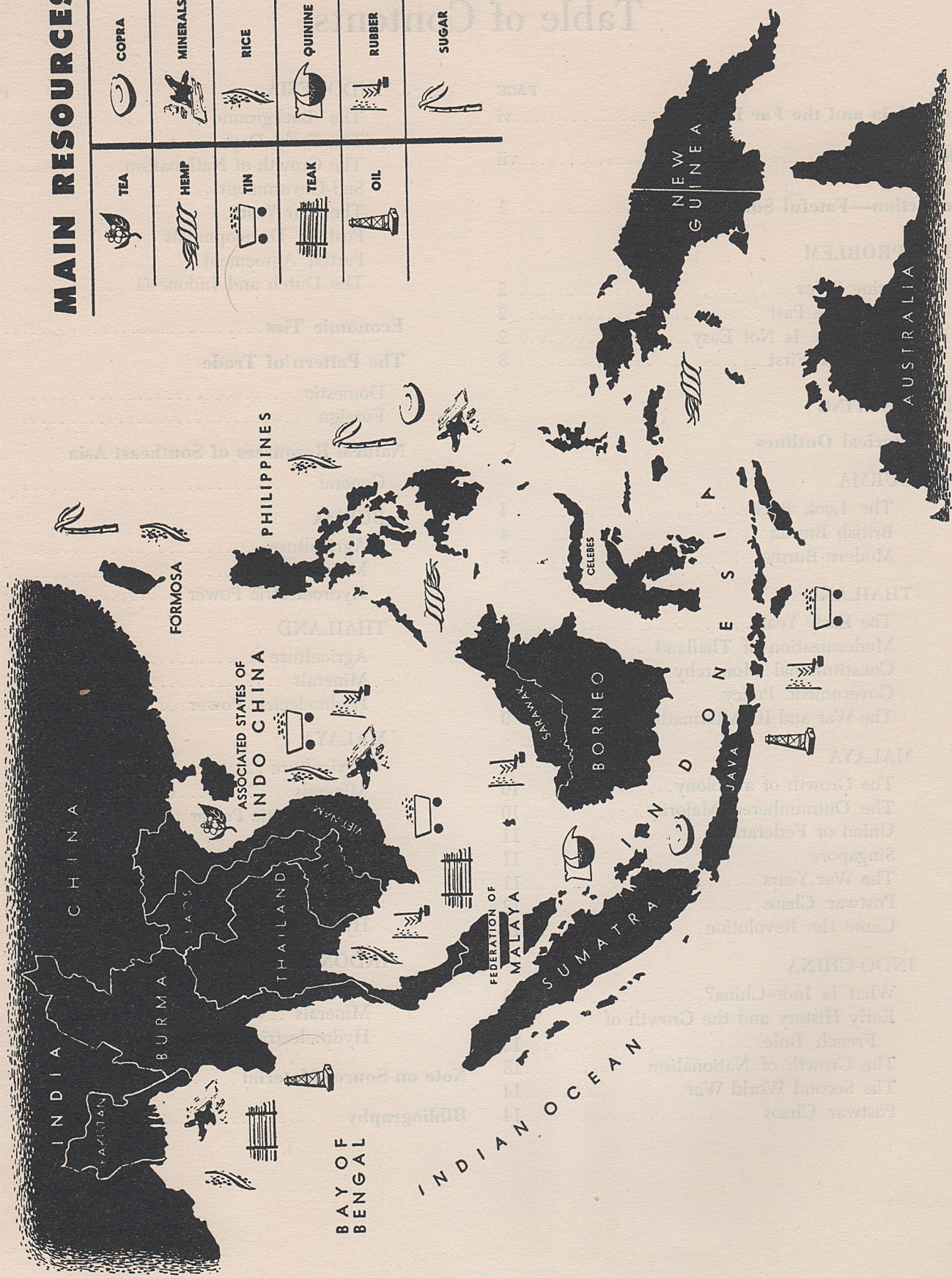
AUG 26 1953

726304

Table of Contents

	PAGE
Map of Asia and the Far East	vi
Facts at a Glance	vii
Introduction—Fateful Southeast Asia	1
I. THE PROBLEM	
Choosing Sides	2
Ghosts of the Past	2
Independence Is Not Easy	2
First Things First	3
II. THE SETTING	
Historical Outlines	
BURMA	
The Look Back	4
British Burma	4
Modern Burma	5
THAILAND	
The Early Years	6
Modernization of Thailand	7
Constitutional Monarchy	8
Government Policy	8
The War and Its Aftermath	9
MALAYA	
The Growth of a Colony	10
The Outnumbered Majority	10
Union or Federation	11
Singapore	11
The War Years	11
Postwar Chaos	12
Came the Revolution	12
INDO-CHINA	
What Is Indo-China?	13
Early History and the Growth of	
French Rule	13
The Growth of Nationalism	13
The Second World War	14
Postwar Chaos	14

	PAGE
INDONESIA	
The Background	15
The Early Days	16
The Growth of Nationalism	16
Self-Government	17
The War Years	17
Postwar Developments	17
Partial Agreement	18
The Dutch and Indonesia	18
Economic Ties	18
The Pattern of Trade	
Domestic	20
Foreign	20
Natural Resources of Southeast Asia	
General	21
BURMA	
Agriculture	22
Minerals	23
Hydroelectric Power	23
THAILAND	
Agriculture	24
Minerals	24
Hydroelectric Power	25
MALAYA	
Agriculture	25
Minerals	25
Hydroelectric Power	26
INDO-CHINA	
Agriculture	26
Minerals	26
Hydroelectric Power	26
INDONESIA	
Agriculture	27
Minerals	27
Hydroelectric Power	28
Note on Source Material	29
Bibliography	29



MAIN RESOURCES

TEA	COPRA
HEMP	MINERALS
TIN	RICE
TEAK	QUININE
OIL	RUBBER
	SUGAR

FACTS AT A GLANCE

	Burma	Thailand	Federation of Malaya	Associated States of Indo-China	Indonesia	Singapore
Area, square miles	261,757	200,148	50,850	286,000	735,267	185
Population, 000 omitted	18,309	17,987	6,307	27,460	78,000	1,016
total	98%	85%	50%	98%	98%	12%
native	1.8%	15%	40%	2%	2%	80%
Chinese			Indians 10%			Indians 7.5%
National income per capita, 1949	\$33	\$36	not available	not available	\$30	not available
Religion	Buddhism	Buddhism	Moslem (Malays)	Buddhism and Confucianism	Moslem	mixed
Political Status	independent republic	independent constitutional monarchy	colony	semi-independent within the French Union	independent within the Netherlands Union	crown colony
Membership UN	yes	yes	no	no	yes	no
IMF member	yes	yes	no	no	no	no
World Bank member	yes	yes	no	no	no	no
Point IV Aid ¹	no	no	no	no	no	no
ECA assistance ¹	yes	yes	through U.K. ²	yes	yes	no
Military aid	no	yes	no	yes	no	no
GATT signatory	yes	no	through U.K.	through France	yes	through U.K.

¹ Beginning with January 1952, the Mutual Security Agency will coordinate and oversee the various phases of foreign assistance; much of ECA assistance (now MSA) is of technical nature, similar to Point IV aid.

² No ECA allotments to U.K. for 1951.

FATEFUL SOUTHEAST ASIA

THE Korean war and the "Great Debate," together with the inquiry into the dismissal of General MacArthur, have focused attention on Asia. This immense area, having within its realm extremes of climate, topography, and cultural heritage, is not only the cradle of mankind, of historical importance without peer, but also is today the focal point of our fears and our hopes.

On American policy toward this continent may hinge the fate of Western Civilization. The word "policy" should not be interpreted in the narrow sense, but rather in the full meaning of the word, with its implications of economics, politics, history, strategy, and sociology.

Asia is in ferment. Of her more than 1.3 billion people about 670 million are living today under the heel of the dictator. The other peoples of Asia are restive. With the desires for political independence and economic improvement of their lot, feelings of nationalism run high. Communism has begun to exploit these desires and aspirations, and the free world must act.

In the area of Asia which is not yet a vassal of the Russian bear lies a tremendous potential of resources, both human and material. America, in association with her allies, must realize this potential and put it to work for freedom and human dignity.

Any policy, whether formulated in the conference rooms of governments, or in the offices of businessmen, must be based on knowledge; knowledge not only of the economic resources and their possible development, but of human resources as well.

Southeast Asia is in many ways the mirror of the larger

Asia, with its differences in cultures, land, and resources, and a very worthwhile purpose will be served if this report can throw some light over this troubled area of the world.

Area to be Covered and Scope of This Study

To most economists and geographers, Southeast Asia usually means the countries of Burma, Thailand (Siam), Malaya including Singapore, French Indo-China, and Indonesia. It is intended that this study restrict itself to these countries.

The earlier studies made by the Foreign Commerce Department of the Chamber of Commerce of the United States, under the guidance of the respective committees, have dealt with investment opportunities abroad, and with the interdependence of the foreign and the U. S. economies. The lower degree of economic development of Southeast Asia, its status as a producer of raw materials, and the relative lack of adequate statistics on the area, suggest the preparation of a more general study.

The still partially colonial status of Malaya; the new relationship between Indochina and France; the recent emancipation of Burma and Indonesia; and development of a constitutional monarchy in Thailand, suggest an approach which would first give a background to a study of the area and the countries comprising it. Highlights of the political development of the countries will be followed by an outline of the economic and strategic importance of the area to the United States and the rest of the free world.

I. THE PROBLEM

SOUTHEAST Asia, with its diverse languages, cultures, and economies, is beset by the same ambitions, frustrations, and problems as the rest of the world. Rampant nationalism, born from oppression not always exercised by colonial powers; racial minority disputes more serious than those obtaining in many parts of Europe or the Americas; demands for political emancipation; economic injustices aggravated because of the dependence on world market prices; all these must be considered and studied. Thoughtful Americans must realize that Southeast Asia demands our attention and our understanding.

Choosing Sides

A hard fight will be waged over the alignment of the peoples of Southeast Asia with either of the two major power blocks in the world today. The free world as well as the communist block need the wealth of raw materials produced in the region. World demand for the tin, the rubber and the copra is increasing; despite the miracles of chemistry, for many years to come Southeast Asia will be an important supplier of raw materials for industry. Beyond the purely economic importance of the region, the West can suffer a severe blow if its human resources were to fall under the hammer and sickle. Southeast Asia straddles the sea lanes between Europe and Japan, China, Australia and New Zealand. Loss of this area to communism would endanger India, Pakistan and Ceylon on the west, and Australia and New Zealand on the east.

Strategy, no less than human or material considerations, requires the free world to understand the aspirations of the peoples of Southeast Asia for freedom and a greater share of the world's material comforts. These aspirations are intimately associated with the drive for independence from colonial rule. We must realize that, rightly or wrongly, the nations of Southeast Asia feel that the improvement in their standard of living can only be achieved by independence and nationalistic economic policies. We must acknowledge the fact that the prestige of the former colonial masters has gravely suffered under the defeat by the hands of Japan. The success of some of the nations in gaining independence has inevitably reinforced the will for independence among the nations not yet free.

Ghosts of the Past

The prestige of the "White Man" has not only suffered due to the weakness of his defense against Japan, but also by his background of colonial rule. In the struggle for

the soul of Southeast Asia, the non-Soviet world has lost many battles, victory going to communism by default. However, the struggle is not yet over, and the free world must prove to the people of this region that communism is not the answer to their desires. We must show them that succumbing to Soviet influence will only exchange one foreign master for another, that victory for freedom and human dignity and for a better way of life lie with the democratic world.

The problem for the United States, as a leader in the struggle against world communism, is complicated by the fact that among our allies in this conflict with communism are the former colonial powers. Support by the U. S. for the maintenance of the *status quo* in Southeast Asia will inevitably be attacked with the cry that the U. S., the cradle of freedom and democracy, is aiding the cause of colonialism.

Even if the United States is concerned about the spread of communism in Southeast Asia, that does not necessarily mean that the Southeast Asians will be equally concerned. To the masses of Southeast Asia knowledge of democracy as we know it is as hazy as is knowledge of communism. Lack of knowledge means lack of opposition or support. Not knowing the danger of communism makes opposition to it difficult.

Those free to choose lean to the democratic freedoms, changed and adapted to the culture and the economic realities of the East. The appeal of communism, where it does exist, stems from the promises of economic salvation, from resentment against the former colonial powers, and from communism's call for action, the chance to *do something now*.

Too hasty attainment of complete independence of the nations of Southeast Asia, without adequate preparation for it, may well result in the rupture of long established economic ties of great importance to the former colonial nations and their nationals, and therefore to the free world. The result may well be political and economic chaos which could easily play into the hands of communism.

Independence Is Not Easy

The successful creation of an independent democratic state does not automatically produce political maturity in its citizens. The great mass of people of the region still live in a civilization in which the family and the village is the most important political unit. Illiteracy and lack of communications are formidable obstacles to political development even remotely similar to democracy. Independence requires effective government; and effective

tive government requires technicians. Administrative efficiency, even of the most rudimentary sort, cannot be created overnight. The colonial administrations of most of the countries of the area did not usually delegate much responsibility to the indigenous people. Those fortunate enough to get an education usually concentrated on books rather than on tools, on philosophy rather than agriculture. Their aim was a white collar job, not to be the leaders of their communities at home. Thus their number, increased beyond the demand for clerical employment, served to create a group of intellectual malcontents, easily prone to accept any doctrine, however fallacious, which would promise them the millennium. The villages and land holdings felt little of the stimulus of improved agricultural methods and new cottage industries, had education fulfilled one of its primary functions.

In the U. S., our radio, our telephone, and our daily paper have become universal disseminators of news. In most areas of Southeast Asia these media are present only in the larger urban developments, and even there the indigenous population has little access to them. While educational facilities remain in their present limited state, the education and enlightenment of the farmer living on the subsistence level of the values of democracy and the dangers of communism, remain a far distant goal.

First Things First

At present the people of Southeast Asia do not need better plumbing, they need rudimentary sanitary facilities; they require not a tractor for their farm or electric light for their house, but a better hoe, a better plow; they need simple lessons in soil conservation. In the educational field the need is less for universities, although they, too, are necessary; the essential need is for the one-room schoolhouse where an adequately trained teacher can teach his pupils the rudiments of the three R's, who can show them by example how to make simple things, how to

improve their sanitation and their health, their house and their land. Only by thus improving their lot can the people of Southeast Asia afford to devote a little less of their time to self-preservation, and a little more to the production of goods which will increase their wealth.

Even at the present low standard of living, population pressures in the countries of Southeast Asia are increasing. The rapid growth in populations is not accompanied by a commensurate increase in the production of foodstaples; improved sanitation and health will only accentuate population pressures. As a higher standard of living leads to a higher birth rate, at least until the economic development of the area has become mature, so will improved health and sanitation lead to a lowered death rate. For many years the rate of population growth will increase, bringing with it new problems, political and economic, for which solutions must be found. Physical improvement in the living conditions must be accompanied by strenuous efforts to improve the productivity of the soil. In most of the countries treated in this study the yield per acre is only a fraction of what it is in Japan. Continuance of the position of Southeast Asia as a net surplus producer of rice despite an increasing population is one of the major problems to be dealt with.

Concrete help by example at the grass-roots level can solve most of the fundamental problems of Southeast Asia. This help must have many facets: not only land reform but the creation of facilities to help the farmer and the worker escape permanent indebtedness; not super-highways, but a dirt road that is passable all year; not the building of huge industrial complexes, but the creation of a cement factory or cottage industries.

The foregoing is an indication of the complexity and magnitude of the problem of Southeast Asia. For the development of a consistent and wise policy for America we must be aware of the problem. For this purpose a knowledge of the lands and the people and their history is essential.

II. THE SETTING

HISTORICAL OUTLINE OF BURMA

The Look Back

The history of the ancestry of the indigenous people now inhabiting Burma is buried in antiquity. It is surmised that the Burmese people are descended from mongoloid races of Tibet and western China who wandered south into a warmer, less forbidding climate. The thin veneer of Chinese culture present in Burma seems to be a fairly recent acquisition; despite the mongoloid origin the main foreign cultural influence came from early Buddhist India.

Not until about the thirteenth century, when Burma was conquered by Tartar invasion, did the Chinese make a slight imprint on Burmese culture, although even before the southward migration of the Burmese the area acknowledged a loose suzerainty of Yunnan. The relationship with China remained faint and tenuous, and the various tribes inhabiting what now is Burma and still living in isolation and at a low level of cultural development, were little deserving of intensive Chinese attention.

Although the Burmese are the dominant and most numerous, there have remained in the jungles and mountains tribes which have kept their identity and language and have never been absorbed into the general racial pattern of the Burmese people. The Karens, perhaps the more ancient inhabitants of lower Burma, had been enslaved by the Burmese and made little cultural progress until the British lifted their yoke and Christian missionaries spread education. Other tribes are the Shans, about one million strong living in eastern Burma, the Kachins in the north, and the Chins in the northwest. Despite the general use of the Burmese language, there are still 11 language groups and 126 subsidiary dialects spoken in Burma.

Early Burmese contacts with foreign nations, whether India or China, were restricted to water-borne traffic and trade along the coastline, the mountains being effective barriers to communication. The religion of Buddha came, about the tenth century, with the establishment of temporary Indian trading colonies along the coastline and lived on even after Buddhism was no longer a major religion in India.

The distinct Burmese culture of today developed largely out of the Buddhist religious influence and is strongly flavored with early Indian culture. Modern Burmese writing descends from the ancient Sanscrit.

The evolution of Burma into a nation with its own culture and language without succumbing to the influences of overpopulated India and China is largely due to two factors: the inaccessibility of Burma from all

sides but the ocean, and the fighting prowess of the people. The kingdom of Burma developed largely in the central area of what we call Burma, far from the sea, and, despite the small size compared with its most important neighbors, it has survived to this day as a national entity.

The consolidation of the various tribes inhabiting the area of Burma began in the eleventh century. Intensive internal wars were finally decided in favor of the Burmese, who consolidated the petty states into the Burmese nation. A feudal dynasty, Burma remained relatively isolated from the world until the outbreak of the first Anglo-Burmese wars (1823-26), although initial contacts had been made with the British East India Company, and French and Portuguese traders and pirates.

British Burma

The Anglo-Burmese wars began with a retaliatory British expedition into Burma for an attack on East India Company trading posts. Small areas of Burma were put under British domination, and in these areas rice production was extended, and teak wood was exploited. As resources of teak were exhausted, and as the Burmese continued to harass and attack the British, a series of wars, lasting until 1886, extended the area of British control until all Burma was under British colonial rule. Administratively, Burma was placed under Bengal, and thus was part of British India until 1937, when Burma was given a British-made constitution, similar to India's, and was administratively separated from India.

Under British rule, major economic advances were made in Burma as the country was opened up to the commerce of the world. Vast increases in rice production were attained, permitting large exports as well as providing sufficient rice for domestic consumption. Exploitation of teakwood, the later development of lead and zinc mining, the production of tungsten and tin, and petroleum drilling, made commercial investments extremely profitable for the British. Although the British administration was instrumental in establishing sound fiscal management and regulated the taxation of trade and commerce, little of the profits incurred remained within the Burmese economy. Much of the labor, made up largely of Indians and Chinese, was not an assimilated part of the population. Not only was the labor force composed of aliens, but the trade also was in the hands of foreigners, generally Chinese and Indian. The indigenous population was largely occupied with the production of paddy rice.

Burmese resentment of foreign rule was not only

directed against the British but also against the Indians. Burma was a part of British India, and there were no limits on the immigration of Indians. The latter not only contributed largely to the labor force, but also were instrumental in starting absentee landlordism, a phenomenon which was unknown in Burma in pre-colonial days.

The old customary law of Burma provided for the headmen of the village to settle disputes by arbitration. Compromise was the rule, and one important feature was that no farmer could be deprived of his land. When British rule was extended over Burma, it carried with it British legal principles, paramount of which is the sanctity of contracts. As Indian money lenders extended loans to the Burmese, frequently under usurious terms, many rice farmers were chronically in debt, and eventually, were deprived of their land. This contributed greatly to the feeling of insecurity and hostility toward British rule. By 1936, more than half of the farm land was under absentee ownership and operated by tenants.

Nationalism, the drive toward self-determination and independence, received a new impetus during and right after the first World War. In India the National Congress was emerging as a new force in the British colonial empire. The doctrine of the right of self-determination, so clearly enunciated in Europe, awakened national aspirations among dependent peoples in Asia.

The British realized the danger of denying the Burmese people the right for ultimate freedom much longer. A separation from India was regarded as a first step toward the slow evolution to independence, although the British hoped that Burma would remain within the framework of the Empire. In 1935 an act was passed which provided for partial self-rule of the Burmese, under the tutelage of the Governor, who retained final veto power. Several states of Burma were excluded from the parliament then established and remained under complete control of the British-appointed governor. The constitution which became effective in 1937, although not satisfying the nationalist leaders, did provide important legal authority for self-government.

However, the political maturity of Burma was not sufficiently advanced to permit effective self-government even in limited terms. Graft and corruption and a grave deterioration of the civil service weakened the country, aided by a series of anti-Indian riots. These riots, caused by the British refusal to prohibit unrestricted Indian immigration, led to a large degree of lawlessness and defiance of all authority; these scars on the body politic are still much in evidence and have been aggravated by conditions under the Japanese occupation.

Various nationalist groups developed, all bent on promoting Burma's independence and complete sovereignty. Some of these movements, aided in their cause by Japan, became responsible for the pro-Japanese orientation of

Burma during the war years, and a number of their leaders actively collaborated with the Japanese.

Shortly after the Japanese victory over the British a puppet regime was set up. Not only its officials but large parts of the population believed that their national aspirations would only be achieved under Japanese hegemony. The Japanese were, after all, not the hated Westerners; but it soon became evident that Japan gave only lip-service to the Greater East Asia Co-prosperity Sphere; the brutality of the occupation soon alienated the nationalist groups which had collaborated with the Japanese. Internal resistance groups developed, of which the most powerful was composed largely of youths belonging to the "Anti-Fascist People's Freedom League".

Although partially influenced by communists this group was sufficiently politically organized to play an important role in the postwar period. The desire for political independence of the Burmese nation overshadowed all considerations for economic rehabilitation which the British government had been planning. A short-lived military government was replaced by a civil governor, but reconstruction of the Burmese economy was rendered impossible by the increasing demand for untying the bonds between Burma and the British Commonwealth.

The dominant political group in Burma was the Anti-Fascist People's Freedom League of which General Aung San was the leader, respected and supported by many factions of the Burmese political scene. By the latter part of 1946 Aung San had become the head of a more representative Executive Council under the governor, better representation having been effected through friendly negotiations. A threatened strike, fostered by communists in the AFPFL, was avoided by the leadership of Aung San, and when communist agitation persisted communists were banned from the AFPFL. Aung San believed in negotiation and compromise to bring about the independence of Burma and compromise was violently opposed by the communists as well as ultra-nationalist elements. Negotiations in London, in early 1947, led to an agreement which provided for the establishment of Burmese independence within one year.

Relative stability of the Burmese government was rudely shattered with the assassination of Aung San in June 1947, and political unrest and defection of many members from the dominant party ensued.

Modern Burma

Nevertheless, Thakin Nu, successor to Aung San, carried negotiations to a climax in the Nu-Attlee agreement, which provided complete independence of Burma outside the British Commonwealth, but Burma remained within the sterling area. Britain cancelled most Burmese government obligations to her, and through Burma's membership in the sterling area, allowed her access to dollars out of the area's dollar pool. In return Burma ob-

ligated itself to respect British contractual relationships with the Burmese economy. British investments were not to be expropriated without prior negotiation for mutually satisfactory settlement. In addition, Britain was to assume certain defense training activities for Burma. No British troops, however, were to remain on Burmese soil, and the war against the insurgents has been carried out by the government of Burma. With the benefits of complete sovereignty, Burma also assumed the responsibilities.

The attainment of independence on January 4, 1948 was followed by civil disorders. Communist demand arose for complete severance of all relations with Britain, and the defense arrangement and the protection of British investments in Burma were subjected to especially severe criticism.

Although the Communist Party was outlawed in March of 1948, after the premature disclosure of plans for open rebellion, revolt broke out shortly afterward, and the government lost effective control over large areas of Burma.

The civil war was not confined to communist rebel actions, but the various minority groups, importantly the Karens, were distrustful of the Burmese hegemony. Age-old distrust of the ruling group made the smaller minority groups cooperate with the Karens, and communist sympathizers led other rebellions. The Burmese army, largely consisting of Karens, suffered serious defections, and the Burmese economy, never recovered from the Japanese occupation, took a turn for the worse. The establishment of effective control over the areas of communist and Karen unrest took strong measures which could be exercised only by a strong government. No such government existed.

Internal political conditions in Burma have remained chaotic, with the Karen rebellion, aided and abetted by communists as well as by lawless bands, flaring up and subsiding periodically. The main reason for the Karen uprising can be found in the Burmese constitution of 1947, which provided for separate states for several of the other minority groups but neglected to give the Karens the same rights. The reason advanced for withholding statehood from the Karens was that they were so intermingled with other minority groups that the creation of a homogeneous Karen state was regarded as not feasible.

As the unsatisfied demand for Karen separatism continued, the Karens no longer regarded statehood as satisfactory and demanded complete independence. By now the Burmese government was willing to accede to the desire for a separate state for the Karens but refused to consider complete secession.

Since March 1949 accusations have been made that the Karens have been aided by Red China as well as Soviet Russia, and, although large areas of Burma have again come under government control, the rebellion has not

been suppressed. The drop in the production of rice, which long had been one of the principal sources of revenue for the government, had caused severe governmental deficits and attendant instability.

Anarchy seems to be increasing and the position of Burma is becoming ever more vulnerable. The non-communist Karens are carrying on their fight for independence, while communist insurgents still control some regions of the country. Transport is unsafe, and the authority of the government continues to be challenged. The communist group has split into two factions, the Red Flag and the White Flag. They are fighting independently of each other, but suspicion points to Red China aiding both groups.

More recently accusations have been made by the U.S.S.R. and Red China that a small remnant of Chinese Nationalist troops, perhaps 10,000 strong, and confining their activities to the tri-state area of southern China, northeast Burma and northern Thailand, was being supplied and led through the contrivance of Thailand and the United States. To the unstable Burmese government, this is a new concern. Trying desperately to placate Red China and more distant Russia, without alienating the non-communist nations, the existence of Chinese Nationalist troops in her territory means to Burma possible provocation for attack by Red China, although the activities of the Nationalist troops have not been consequential.

Her fear of provoking the wrath of Red China has caused Burma, perhaps only temporarily, to reject even continued U. S. economic aid by refusing to sign the necessary aid agreement. Burma is fearful and suspicious of American motives. However, realizing the need for cooperative action of the countries of South and Southeast Asia, Burma earlier decided to join in the Colombo Plan, thus in effect drawing her closer to the orbit of the British Commonwealth which the young republic left in 1948.

HISTORICAL OUTLINE OF THAILAND

The Early Years

The political history of Siam, now called Thailand, properly starts with the migration of Thai peoples from southwestern China in the thirteenth century. This migration, materially aided by the Mongol conquests of Kublai Khan, soon brought the Thai into control of the numerous kingdoms and tribes which then made up the area now Thailand. Development of the Siamese nation paralleled the intermarriage of the various races in the area; the first real king of Siam emerged in 1350.

The young nation was given no period of peace to settle down and work out its own destiny, but launched into a series of wars to the east and to the west. To the east the Siamese invaded Cambodia and it took them over a century to gain hegemony over part of this area. To the

west, Siam engaged in almost constant warfare with the Burmese, and the northern areas of Burma as well as the Malay peninsula came under strong Siamese influence.

Culturally, the Siamese state was orientated toward Buddhism, and adopted Chinese political institutions. The language, a relative of early Indo-Chinese languages, is essentially monosyllabic, and has adapted the written alphabet of the Cambodians.

The first commercial contact with the western world was established with Portuguese traders in the sixteenth century when a Portuguese trading station was established, and a little later with Dutch traders. As early as 1664 the Dutch sought to gain a hold over Siamese foreign trade by the negotiation of a commercial treaty with Siam, but this attempt was foiled by French intrigue.

In the latter half of the eighteenth century Siam suffered a Burmese invasion which destroyed the capital and which brought Siam under Burmese rule. In 1782 Siam threw off the Burmese yoke and founded a new dynasty under Rama I. Descendants of Rama, the so-called Chakri dynasty, still rule present-day Thailand, although the absolute monarchy gave way to a constitutional one in 1932.

Under Rama I, Siam was again on the ascendancy, defeated Burma after a long series of wars, and won control over parts of Cambodia by dividing it with Annam, although a few decades later Cambodia came altogether under Siamese control.

Early in the nineteenth century (in 1826) Siam entered into a commercial treaty with Great Britain, and shortly afterward with the United States. Although these treaties were far from perfect instruments (for instance, making no provision for the establishment of consulates), they are significant because of the assurance of the independent status of the Kingdom of Siam.

Modernization of Thailand

The first wave of strong European influence came over Siam under King Rama IV. This ruler (1851-68), who had spent many years as a Buddhist monk, had studied extensively the scientific lore of the more advanced countries, and introduced western-type government in his kingdom. He started the serious modernization of Siam, and realized the benefit to be obtained for his country through greater contact with the outside world; he was instrumental in negotiating a number of more up-to-date treaties with Great Britain and the United States, and, shortly afterward, with many other powers. These treaties generally gave the foreign signatories a wide range of trading and diplomatic rights in the kingdom.

The only major setback that Siam suffered under its enlightened ruler was loss of control over Cambodia which became a French protectorate. However, the modernization of Siam was carried on under the rule of

his son, who brought about more governmental reforms. Not only did he abolish slavery, set up a centralized civil service, and introduced modern taxation methods, but he also allowed the establishment of telegraph and railroads, and a modern postal service.

In the late nineteenth century Siam was in a special position in Southeast Asia. On the one hand France was extending her sphere of influence on the Asian continent; on the other, Great Britain was anxious to maintain the independence of Siam as a buffer state between Burma (which then was administratively a part of British India) and the French possessions in Southeast Asia. Although Siam attempted strong measures, following border clashes with the French along the Cambodian border, she capitulated after the imposition of a blockade by the French. The blockade was the result of a rejection of an ultimatum, which in turn was caused by the attack of Siamese artillery upon French gunboats. In the Franco-Siamese Treaty of 1893 Siam gave up all claims to territories east of the Mekong river, and paid an indemnity to France.

British concern over the Siamese question led to strained relations with France, and the issue was not settled until 1896 when the British recognized the French claims against Siam. Although the size of the effective buffer state between Burma and the French possessions was reduced, the Anglo-French agreement guaranteed the independence of Siam by both signatories.

The following years were characterized by a series of negotiations between France and Siam and Great Britain and Siam which resulted in a number of territorial adjustments and the eventual abandonment of extra-territorial rights in Siam. These rights pertained to the jurisdiction of the British and the French, respectively, over any of their subjects in Siamese territory.

Although it was not until 1927 that Thailand (then still Siam) gained complete juridical autonomy, the first move toward this greater independence came during the first decade of the twentieth century. Extra-territoriality had been granted to foreign powers by treaty right, and these treaties frequently granted extensive trading and traveling rights without any commensurate benefits to Siam. For instance, the United States did not grant Siam tariff autonomy and did not surrender its extra-territorial rights until 1921.

In 1936 Thailand denounced all existing treaties and proceeded to negotiate new ones with most of the major powers. It was only then that Siam gained her place in the family of nations as a completely equal, sovereign and independent state.

The period 1910 to 1925, under the reign of Rama VI, was characterized by further development of the westernization of Thailand: the calendar was changed from the Buddhist to our Gregorian system, irrigation was begun, and education was modernized.

An interesting fact is the declaration of war by Siam

on Germany in 1917. Some historians interpret this step as a sign of maturity; the declaration of war was implemented by the dispatch of a Siamese expeditionary force to France, and Siam became one of the original members of the League of Nations. It should therefore occasion no surprise that Siam became an early member of the United Nations, being admitted to the U.N. in 1946.

Constitutional Monarchy

Thailand left the rank of absolute monarchies in 1932. Siam was suffering from the effects of the world depression, and King Rama VII studied ways in which he could make the government of his country more responsive to modern demands. With the advice of an American, Raymond Stevens, he studied various draft constitutions with the intent of creating a constitutional monarchy. However, he was not allowed to carry through his plans. In June of 1932 there took place a bloodless revolution, culminating in the proclamation of a constitution. The political party which engineered the *coup d'état* called itself the Peoples' Party, despite the fact that the revolution was not of a popular character but was instigated by a small group of western-educated Siamese with the help of the military.

The king now became a constitutional rather than absolute monarch. Habit was hard to break, and the civil service, still monarchists at heart, were able to undermine the political power of the Peoples' Party; accused of communist leanings the party was outlawed. The government, however, could not maintain order, and a series of revolutions, all relatively unbloody and swift, finally resulted in the abdication of the king in favor of his school-boy nephew, Ananda Mahidol, then living in Switzerland.

A council of regents ruled for the new king, who did not actually ascend to the throne until after the war. Upon his assassination, in 1946, his younger brother inherited the crown and is now King of Siam. Despite a number of constitutional changes and several new constitutions, paralleling the frequent changes of governments in Siam, the king regained no great powers, and rules with the advice and consent of the Siamese parliament.

Military coups, minor revolutions, and struggles for power have obscured the fact that the political development in Thailand has not led to multi-party rule. Essentially, the parties, whether officially recognized or not, are really the followers of individual political leaders, and, with few exceptions, the political power has generally been vested in one faction or another of the Peoples' Party. One of the obstacles to the development of new parties in Siam has been the constitutional provision for the absolute control of the government by one party until sufficient political maturity had been attained to make the emergence of new parties safe. This has assured the self-perpetuating power of the Peoples' Party.

Government Policy

Much of the Siamese governments' policy since the early thirties has been nationalistic. There has been strong emphasis on the Buddhist religion and on teaching the Siamese language to the Chinese and Malay minorities in an attempt to foster patriotism and allegiance to their new home. There has been a steady growth of Chinese immigration into Siam, despite all efforts of the government to stop it. The Siamese feel that the large influx of Chinese is a threat to their own identity as a Siamese nation. For many years the Thai government has attempted to force the Chinese to conduct their own schools in Siamese and teach Chinese only as a foreign language. The efforts to assimilate the Chinese, however, have been generally unsuccessful.

Although the problem of the Malay minority, fairly strong in the part of Siam extending into the Malay Peninsula, has not been as serious, the government has also tried to assimilate the Moslem Malays, with little success. Since there is no great flow of Malays across the Malaya-Siamese borders, thus not creating a major problem, the Malays have usually been able to resist the occasional incursions into their cultural and religious separatism.

Although the original revolutionary government, in 1932, advocated a large measure of state ownership and control over the Siamese economy, the plans were never fully carried out. Nevertheless, the government did take over a number of industries and business enterprises. Part of the reason for the governmental interference lay in the desire to wrench economic control over the Siamese economy from the hands of the Chinese and the Europeans. Where possible, the government installed Siamese and let them run the enterprises, but it was not always successful in doing so. In many instances, the government simply took over, and then employed the same people who had formerly run the institution.

For a number of years the difficulties placed in the path of foreign enterprises were so formidable that most foreigners left. After the war there was some relaxation of this policy, but for most enterprises the Siamese government requires a minimum 51 per cent Siamese participation, and in many fields the Siamese government has insisted on ownership.

The future economic policies of Thailand are quite uncertain, due to the recent repudiation of the constitution of 1949, and the return to the powers of the constitution of 1932. This earlier document, which never had been effective, gives the government greater executive powers, and allows the control of the press and political freedoms to a much greater degree than the more liberal constitution of 1949.

One of the major problems of postwar Thailand has been political instability. Since the end of the war there have been more than ten different governments. How-

ever, the policies of each one of them have not changed too much, a new one carrying out the responsibilities of its predecessors fairly closely.

The confusing change of name from "Siam" to "Thailand" to "Siam" and back is largely a reflection of nationalistic feelings. The first switch had been made when the Thai, or Siamese, insisted on the official change from "Siam" to "Thailand" in 1939. To the Siamese their country had always been "Muang Thai", the "Land of the Thai", and they themselves have been "Thai". This name continued in effect until after the war, although it was not generally accepted throughout the world. After the war the Thai reverted to the old name in order to remove a minor point in the negotiations for a peace treaty with the British. In May 1949, the name was again changed officially to Thailand, and the name of the people to Thai. This time the change was generally accepted, although occasionally one still finds references to Thailand under "Siam".

The War and Its Aftermath

In 1938, after one of the many changes of government, Thai-Japanese relations grew closer, due to a realistic appraisal (from the Thai point of view) of the growing power of Japan. After the invasion of Southeast Asia had begun the friendly relations were not continued, however, and the Japanese decided to occupy Thailand. The brief attempt at resistance proved ineffective, and shortly after the occupation, Thailand declared war against Great Britain as well as the United States. The latter, believing that the declaration of war was not an expression of the sentiment of the Thai people, did not recognize the declaration of war, and therefore the U.S. never declared war on Thailand. Only a small but powerful minority, including the present Prime Minister, Pibul Songgram (then also Prime Minister) favored the declaration of war against the Allies.

After the Japanese surrender the declaration of war was repudiated by the Thai government, and in August of 1947 preparations were made for the adjudication of the relatively minor U. S. claims for settlement of war damage. Except for a small number of corporate claims, requiring by their nature more preparation, U. S. claims were finally settled in 1948, at the rate of about 70 per cent of the amount of damage demanded; all things considered, this was rather fair and prompt settlement. British claims, considerably larger than the American ones, required the setting up of a claims commission; British interests in Thailand have been much larger than U. S. ones, and therefore the settlement of claims was a more involved matter.

The return to power of Pibul Songgram, the Premier who had been in office at the time of the declaration of war against Great Britain and the United States, was one

of the more "revolutionary" periods in Thailand's postwar history. During the war, some of the moves of the pro-Japanese Premier Pibul were unpopular and led to his overthrow and the establishment of a new government in 1944. The new Premier and his supporters were able to establish an anti-Japanese underground, supported by the Allies. Many of the facilities were finally not used, but the government finished the war in the good graces of the Allied powers, and stayed in power until after the war when intrigue and turmoil again dominated the political arena of Siam. In typical Thai fashion, the revolutions, changes of government, and military *coups d'etat* were all bloodless and relatively peaceful.

By the end of 1947 Pibul Songgram, after having earlier been acquitted of being a war criminal, mainly because of no specific violation of any law, overcame his fear of possible unpopularity with the western powers. Staying in the background, Pibul Songgram organized a new coup, in the usual bloodless manner, and his political fortunes were again in the ascendancy. The changed government was soon declared legal, and was staffed with a number of able and respected men. Shortly after recognition had been extended to the new government by the Allied powers, Pibul had himself declared Prime Minister again, a post which he has been able to hold since, despite various military upheavals, including the last, successful, one, in December of 1951, when the old government was overturned and Pibul was again named Prime Minister of the new cabinet. His return to power had been aided by the regents who represented the crown for the absent king.

Of the countries of Southeast Asia, Thailand is the most prosperous one, and although the standard of living of the Thai is not high, it is higher than most of their neighbors', with the possible exception of Malaya. Communism does not seem to have gained an important foothold in the country, and the existing danger stems from the strategic position between weak Burma and Indo-China. Should either of these fall into communist hands, either from internal or external assault, the position of Thailand would be extremely serious. A look at the map will make Thailand's exposed position quite clear.

Thailand's position is not made easier by her recognition of the new states of Vietnam, Laos, and Cambodia, which, by indirection, means opposition to the communist regime of the Viet Minh. In addition, Thailand continues her recognition of Nationalist China rather than Communist China, a recognition which was extended only very shortly before the war. Until then, despite important trade relations, and many difficulties with the Chinese minority in Thailand, China and Thailand had had no official diplomatic relations.

Although the United States has extended some military and economic aid to Thailand under the Mutual Security legislation, financial interests of United States business enterprises has remained comparatively small. British

interests continue to be the most important foreign economic ties with Thailand.

HISTORICAL OUTLINE OF MALAYA

The Growth of a Colony

If the Malayan coat of arms consisted of a tin dredge and a rubber tree, then her lucky charm would be the tin can and the rubber tire. In 1880 still in the backwash of the rich Singapore trade, in a few decades the Malays gained the highest standard of living in Southeast Asia. Malaya is a fascinating example of the impact of modern technological development on a primitive agricultural society.

Occupying the lower, bulbous third of the Malay peninsula, the Federation of Malaya is the only one of the Southeast Asian countries still, in effect, in colonial status. The position of Malaya in the British Commonwealth is really an anomaly: never having been a colony, the nine Malay states making up the Federation of Malaya have retained an essentially colonial status. Singapore, a Crown Colony, is in many ways more independent.

Originally Singapore was established for its strategic position on the sea lanes between the occident and the far orient, to break the quasi-monopoly of the Dutch East Indies trade. The Malay hinterland was for Singapore and for the British a wild jungle occupied by the Malays and ruled by a large number of oriental potentates. Today Singapore's greatness without the rich tin and rubber trade would be impossible. Singapore and Penang to the northwest were purchased in the form of an annual grant to the respective ruling sultans at the end of the eighteenth and early nineteenth century.

The Port of Singapore developed as a transshipment point and waxed rich and prosperous on the growing trade with the Far East. British interference in Malay affairs was almost non-existent and the internal feuds between the various Malay States guaranteed the continuance of the *status quo*.

Although tin mining began to flourish prior to the last quarter of the nineteenth century the British did not begin to exert control over the absolute rulers of the Malay states until the last quarter of that century. Then, the British embarked on their new imperialist adventure in a very peaceful and legal way: they negotiated treaties with each of the sultans under the terms of which these potentates agreed to accept the advice of British counsellors. The arrangement proved satisfactory to the Malay sultans because their prestige remained unimpaired, in fact there was some security attached to their hereditary positions due to British backing. British control was exercised generally through persuasion and this was sufficient to bring about widespread reforms and generated a climate in which the Malay economy and British investments could grow and flourish. By the end of the nine-

teenth century Malaya was no longer a backward jungle but it had become an important source of the world's tin and the almost sole producer of rubber.

The Outnumbered Majority

As Chinese and Indian labor was imported to work in the tin mines and on the rubber estates (Malays largely working the small holdings) the problems of health, of malaria control, and of labor troubles required faster reform which could only be accomplished by greater British influence. Without a change in the status of the various treaties, British governmental authority became greater while the power of the sultans declined. The Chinese minority, active politically and economically, grew until the Chinese approached the Malay population in number. They established themselves not only in the labor groups, but, as in other parts of Southeast Asia, they entered the retail and wholesale trade, the exporting and importing and the money lending profession. Shrewd and frugal, they gained an economic stranglehold on the country without becoming assimilated or losing the ties with their homeland. Chinese investments, before the war, ran a close second to British investments of one-fourth of a billion dollars. U. S. investment was less than 30 million.

The Indian minority, less numerous and less powerful economically, nevertheless was important enough, together with the Chinese, to render the Malays a "minority" in their own country. The Malays being of a race, culture and religion similar to the Indonesians of the island of Sumatra, the Hindu Indians and the Buddhist Chinese are not only foreigners by nationality, but are foreign in every sense of the word. The problem of citizenship and political responsibility is not two but three-cornered. Those Chinese born in Singapore could be British subjects as well as Chinese nationals.

The Malays naturally did not favor giving political power to any group which culturally and legally owed their allegiance to a foreign power. The economic strength of the Chinese did not salve the wounds. Although until the middle thirties there reigned relative harmony among the three races in Malaya, the British realized this dilemma and found little advantage in actively seeking to establish the independence of Malaya.

Another problem confronting the British in Malaya is the movement for union with Indonesia, with which Malaya has culturally much in common. The postwar period has not eased the tension in Malaya nor has it instilled in the British any new fervor for expediting the break-away of the largest net dollar earner in the whole Sterling Area. Before the second World War this financial consideration was of much less importance: the British would not have suffered any financial strain through the emancipation of Malaya and the latter would probably have found it advantageous to lean on British power for protection.

Union or Federation

Although her dollar needs makes Britain more dependent than ever on Malayan exports to dollar areas, political reality has now forced her to pursue more actively the goal of eventual self-government and independence for Malaya, hopeful that Malaya will stay in the Commonwealth.

One plan, conceived in London, to separate Singapore and Malaya, and to grant certain political privileges to the Malays as well as to the Chinese and Indian population in the nine Malay states, was put into effect in 1946, when the Malayan Union was established. Under the Union scheme the Malay sultans were deprived of their last vestiges of power, and the Chinese and Indians were given Malay citizenship without renouncing other allegiances. The conservative Malays objected on the basis that they would be outnumbered by foreigners in their own homeland, the Indian population and the Chinese together constituting more than 50% of the population of the Union. Malay opposition was strong enough to make the British scrap this plan and substitute a new one, the Federation of Malaya, which is still the present organization of the Malay states and includes the former British settlements of Penang and Malacca.

The Federation came into force in February 1948, after consultations between the British, the Malay sultans, and a new political organization of Malays, the United Malays' National Organization. Authority is delegated to a High Commissioner appointed jointly by the King of England and the Malay sultans, and there is an appointed legislative council and an executive council on the federal level. In each state the sultan rules, as before, with the advice of a British consultant, but in matters pertaining to Moslem religion and custom the sultans' powers are absolute. In state matters, the sultans are assisted by an executive council, and a council of state.

The establishment of the Federation assured the sultans much of their former power and satisfied the Malay demands for tighter citizenship requirements. For the Chinese and Indians it meant that their goal of a voice, however small, in the political affairs of Malaya was pushed further into the future.

The British claim that differences regarding citizenship are now being ironed out and that definite plans are being made for the ultimate political emancipation of Malaya. Another hopeful sign is a new political organization, which, although mainly Malay in nature, has strong support from some Malaya-born Chinese. The plans of this group, still vague, call for a seven year program to achieve the independence of Malaya. If these plans materialize, and the problem of citizenship can be ironed out, the development of political democracy in Malaya is possible.

A start has been made, also, in developing political responsibility by planning elections which are to be held

in the near future. Beginning on the local level, these elections will lay the groundwork for a larger share of responsibility to be borne by the people.

Singapore

Singapore, a Crown Colony with a high degree of responsible government, used to be called the Straits Settlement, which included Penang and Malacca. Upon the establishment of the Malayan Union, Singapore was separated from the two other settlements which became part of the Malay Union and the later Federation. In the political fortunes of Malaya, Singapore has played a special role, partly due to the fact that the island of Singapore is populated with a much larger percentage of Chinese than Malaya proper. The outright incorporation of Singapore in the Malayan Union would have made the Chinese the majority group in Malaya, a condition favored neither by the British nor by the Malays.

Singapore grew rich as a free port. Although no longer free of all restrictions on trade, the tariff barriers are lower than those prevailing in Malaya, and Singapore's position as a transshipment port of major importance in the Far East might be compromised were she to become an integral part of Malaya. Since Singapore is politically a great deal farther advanced than Malaya, and boasting a partly elected legislative council, the special status of Singapore will probably be maintained for a long time to come.

The War Years

As in other areas of Southeast Asia, the war has shattered the myth of the invincibility of the colonial powers. The British had never found it expedient to create a Malay army, except a small contingent serving with the British. The people on their part relied on the British for protection through sea and air power. An invasion from the north seemed unlikely as long as the power of the British navy and the well fortified port of Singapore presented visible evidence of British supremacy.

The early capitulation of Thailand and the loss of Indo-China to the Japanese changed all this. The British were busy fighting the Battle of Britain and had lost much of their naval strength in the Pacific through the sinking of the battleships "Prince of Wales" and "Repulse". They could not spare the necessary troops and aircraft for an effective defense of Malaya or Singapore. The few troops that were sent as reinforcements suffered cruelly in the jungle fighting in which the Japanese had become expert.

On February 15, 1942, Singapore surrendered, and the conquest of Malaya was complete. Although the Japanese tried hard to win support from the Malays, they failed completely. They were regarded the oppressors despite all propaganda about the "Greater East Asia Co-Prosperity Sphere." The occupation of Malaya had several important implications for the future: the Malays were

stirred up in their latent hatred against the Chinese, and the feeling of nationalism was fostered. An active underground was organized, sparked mainly by the Chinese communist elements, but supported to some degree by the Malays and by Chinese with Nationalist sympathies. As in other countries of Southeast Asia, the communists spearheaded underground activities against the Japanese and thus gained popular support among the native population and provided lenient treatment after the war.

Another effect of the Japanese occupation was the degree of lawlessness which prevailed in Malaya following the war. Although the British were welcomed with open arms, Malay antagonism against the Chinese produced violence and riots which were difficult to suppress with an inadequate police force. The Japanese surrender had left much of Malaya a shambles; food was scarce, and social and health services were disrupted. The British sought to purchase rice for the Malays, but the usual sources for Malay rice imports, Burma and Thailand, were unable to supply sufficient amounts.

Postwar Chaos

The shortage of food and clothing and of other consumer goods, the inevitable black markets, the rising prices, were all designed to make the work of the communists easy. They were eager to prevent the economic recovery of Malaya and fomented serious strikes. Armed bandits, not always communist, roamed the country side and instituted a reign of terror that took strong measures to suppress. Armed troops had to be used and the police had to be strengthened.

Malay communism is not indigenous and has been generally strongest among the Chinese. The large floating Asian population and the fact that Singapore, under British rule was a haven for political refugees of all complexions, have made Malaya a fertile haven for communism. The Malays, largely farmers, have been generally disinterested in communism. Following the war the Chinese faction split into two hostile camps: those who followed communism and those who remained loyal to the Nationalists. During the war the communists made important gains by coming into control over many of the labor organizations and trade guilds.

Although the communists came out of the war with a good reputation, they did not feel strong enough to risk open revolt. Instead they not only infiltrated the existing labor organizations but organized new ones, frequently forcing laborers to join by intimidation. The economically unsettled conditions favored them and they gained strength rapidly. They were aided by the freedom of the press, and the freedom of organization which existed in Malaya, and the rampant inflation made the demands for higher wages a call to arms. Several attempts at a general strike failed and it was not until 1948 that the communist revolt broke out.

Came the Revolution

The British were caught unprepared, having regarded the development of labor movements, and the demands for higher wages as part of a genuine trade union movement. It took them some time to realize that the aim of the communists was to set up an independent communist state.

Beginning with a series of strikes and killings, the uprising in 1950 was staged by a force of 4,000 to 5,000 communists, mostly Chinese. Their raids on plantations and villages, staged from the jungle fastness, are continuing to this day, interrupting the economic life of the country, and tying down a force of 17,000 British troops, 10,000 Indian Gurkhas, and a Malayan police force of more than 200,000. Although the guerrillas have not been able to stop the production of tin and rubber, raids on estates, killing of planters, and general insecurity are taking a steady toll of lives.

The inability to cope with the problem of guerrilla warfare is largely due to one factor which has nothing to do with the military aspects of the Malay uprising. The guerrilla forces have been able to maintain themselves, to replenish their manpower, and to provide food for themselves, with the support of Chinese squatters. These Chinese communities, frequently isolated, make use of unused land and supply labor for some of the nearby tin mines and rubber estates. Sometimes voluntarily but usually through intimidation and coercion, they supply the guerrillas with arms and food. Although attempts were made to guard the communities of the Chinese squatters, it was impossible to prevent the guerrillas from attacking the Chinese on their way to work or during their labors in the fields or estates. It was impossible to prevent smuggling of food and weapons to the guerrillas hiding in the jungles. A new plan had to be tried.

The so-called Briggs plan has resettled more than 300,000 squatters in new communities where they are out of range of the communists, and where effective control over them can be exercised. After resettling about three quarters of the total number of squatters estimated to be living in the Malay states, the plan has been a success. The building of new housing, new compounds, and providing work for the squatter, has been an expensive and time consuming effort. Aside from reducing the strength of the terrorists, the plan has meant the rehabilitation of the Chinese squatters, both economically and socially. The program is carried on, despite the difficulties. The influx of a new wave of Chinese into several of the Malay states, as the squatters are being consolidated into larger communities, has aroused some opposition but the success of the Briggs plan has silenced criticism.

Heretofore, there has been little evidence of any outside support for the Malay communists. If no foreign help is forthcoming, there is hope that the guerrillas may be

defeated, although the fighting will be long and arduous. The jungles are dense hiding places; it is dangerous and time-consuming to flush them from cover.

HISTORICAL OUTLINE OF INDO-CHINA

What Is Indo-China?

To most Americans Indo-China means confusion. Not only confusion in reading about the fight against communism, but also confusion about the names of the new states and the old, about their role in the community of nations, and their lingering connections with France. To some degree the lack of knowledge about Indo-China (formerly called French Indo-China) was the direct result of French colonial policy. French interest in this area, financial and political, was exclusive. For France, her Far Eastern possessions, prior to World War II, were lucrative sources of income, expanding markets for French goods, and important sources of raw materials.

Today's interest in Indo-China, aside from the recent events of political emancipation, arises out of the strategic position which Indo-China occupies in holding Southern and Southeast Asia against communism. If Indo-China were to fall, the last important rampart against the red hordes would be breached, and the future of the other countries of Southeast Asia would be dark.

Present Indo-China is a newly born creature in the family of nations. Politically, three separate states, Vietnam, and the Kingdoms of Laos and Cambodia are, as the Associated States of Indo-China, members of the French Union. They are legally independent and have been recognized as such by the United States, Great Britain, and about thirty other countries. Sovereign in their foreign relations, they "coordinate" their policies with France, but are completely autonomous in the conduct of their internal affairs. France has committed herself to granting complete independence within the French Union, but the transfer of authority is slowed by the fact that the countries are not yet entirely able to take over all of the tasks and responsibilities of complete sovereignty.

The three states of Vietnam, Laos and Cambodia are today political reality. There are older geographic and political identities, however, which still persist in usage, and a word of explanation may be in order. The state of Vietnam, running in a narrow strip north and south from the Chinese border to the tip of the Indo-Chinese peninsula, consists of the former protectorates Tonking (now North Vietnam), Annam (now Central Vietnam), and the former French colony of Cochinchina (now South Vietnam). The other two Associated States, Cambodia and Laos, (both kingdoms), were formerly also French protectorates. French hegemony was established in 1863 over Cambodia, and in 1893 over Laos.

Early History and the Growth of French Rule

Historically, the boundaries are quite recent, the area of Indo-China having been fought over and divided since time began. The very name, Indo-China, gives us a clue to the background of the culture. Essentially a battleground of Chinese and Indian cultures, traces of both are found, with Chinese influence paramount.

At the beginning of the nineteenth century most of Indo-China was ruled by the Emperor of Annam who acknowledged the loose overlordship of the Chinese empire. French missionaries had been active in Indo-China since the early seventeenth century, and had been allowed free rein. The nineteenth century, however, saw frequent persecution of Christians and on many occasions the missionaries were forced to leave the country.

This unfriendly attitude of the Annamite court led to a joint French and Spanish expedition, in 1858, which ultimately resulted in the abandonment of parts of Cochinchina to France. Supervision of the new colony was extremely loose, most of the actual administration having been left to the local mandarins.

Cambodia, a Hindu state constantly endangered by both Thailand and Annam, decided to accept the protection of the French in 1863. The French foothold in Indo-China grew and was soon extended further by the annexation of more of Cochinchina. Gradually, by force and by treaty, French influence spread over the rest of what is now Indo-China; by 1884 effective control was exercised over Annam, and by 1893 the French acquired a protectorate over Laos, long disputed territory between Thailand and Annam. By the turn of the century, French control had been intensified, and the French inaugurated reforms and administrative changes which both, benefited the region, and tightened French control. The French possessions in Indo-China were united in a tariff union which has been maintained to this day.

The Growth of Nationalism

Chinese influence is very strong in Indo-China, particularly in Vietnam; the language as well as the governmental structure, religion, and art borrowed heavily from the Chinese. The peoples west and south of the Annamese mountain chain, which forms the barrier between Laos and Vietnam parallel to the coast, have been influenced to a greater degree by Indian culture.

The peoples of the region are a tangle of races after centuries of infiltration, changed boundaries, and minor migrations. Vietnam, the most populous of the nations, is inhabited by 22 million people, most of whom are Annamites, although a Chinese minority has played an important role in supplying labor, as well as constituting a large percentage of the urban population. The population of Cambodia is about 4 million, including a small Chinese minority and about 10 per cent Indo-Chinese

other than Cambodian races. About 1.5 million inhabitants live in sparsely settled Laos, of whom the majority are Lao.

In the mountainous areas of the back country there are many tribes of much more primitive development than that attained by the peoples living in the lowlands. The most important of these are the Thai and Moi, although particularly in Vietnam (North and Central), there are several other tribes enjoying special status. Among these are the Tho, the Man, the Meo, the Nung, Nhang and the Lolo.

The struggle for national identity and for independence in Indo-China has had a long history. The improvements which French administration has undoubtedly wrought, have also weakened the family ties and communal customs without introducing many of the benefits of modern civilization. French rule, often enlightened as far as economic and social benefits were concerned, did not prepare for the eventual independence of her Asian colonies; on the contrary, official policy was to draw the units of the French empire closer together under the dominance of the mother country. The few instances in which some measure of self-government was granted were obscured by the large executive and veto powers retained by the French administration. The amount of self-rule granted was not comparable to the degree of home-rule granted many of the British and Dutch colonies and dependencies.

Hence, nationalist movements, frequently aided and abetted by local communists, gained an early foothold in Indo-China, despite the efforts of the French, sometimes by brutal duress, to squelch these movements.

It should be mentioned here, that the movement for independence was mainly Vietnamese in nature, and the desire for the independence of Cambodia and Laos have only been recent developments.

The Second World War

As in other instances in Southeast Asia, the drive for independence was greatly enhanced after the early victories of Japan during the second World War. Even before the defeat of France by Germany, Japan had begun to exert military pressure on the French possessions in Asia, and the French defenses were weak. The strategic position of Indo-China made it a prime target for Japan, both as a base for a pincer movement on China, and for later attacks on the Dutch and British possessions in Southeastern Asia and the Southwest Pacific. In addition, Indo-China was a rich prize in terms of raw materials.

During 1940 and 1941, the Japanese were able to exact a number of concessions from the French. With Japanese pressure a move by Thailand to regain some of her lands lost to the French during the nineteenth century

succeeded and France ceded parts of Laos and Cambodia to Thailand. By the middle of 1941 all of Indo-China was in Japanese hands, but the French colonial administration was retained. Although instances of active and willing collaboration with the Japanese were rare, an effective underground movement against the Japanese was rendered impossible due to the fear of the French that it would foster the development of native independence movements.

Any attempts by the remaining French forces to prepare for cooperation with an eventual Allied landing were foiled when the Japanese announced the end of colonial rule of Indo-China in March of 1945. This was followed immediately by the declaration of independence by Emperor Bao Dai of Annam and the Kings of Cambodia and Luang Prabang (one of the eleven provinces of Laos). Later the French recognized the King of Luang Prabang as King of Laos.

Postwar Chaos

From then on, the mainstay of resistance against Japan was organized by the Viet Minh League (League for the Independence of Vietnam) under the leadership of the communist and nationalist Ho Chi Minh. After the surrender of Japan, the Viet Minh formed a provisional government under Ho Chi Minh's presidency and declared the independence of Vietnam. There was a lot of popular support for this move which was originally by no means entirely communist but rather expressed the latent desire of the people for independence. This new state, Vietnam, included Tonking, Annam (of which Bao Dai was still king) and Cochinchina.

Toward the end of World War II the relative weakness of the French, both in Europe and in Asia, had led to the agreement, between the Allies, that Indo-China would be occupied partly by the British and partly by the Chinese. When the British arrived in Saigon, Cochinchina, they refused to deal with the then established Vietnam government but helped the French to regain power. The latter were soon able to recapture control over the cities, and by 1946 they were able to exercise effective administrative and military control over most of the territories south of the 16th Parallel, which had become the dividing line between the Chinese and British occupied parts of Indo-China.

The Chinese, on the contrary, had left Ho Chi Minh in control of their zone of occupation and did not surrender it to the French until they were able to get concessions on the treatment of the Chinese in Indo-China, and special concessions on the Yunnan railroad.

France was now again the sole foreign power in Indo-China, but her position was neither secure nor simple. In the north she faced hostile Tonking and Annam under the Viet Minh government, communist controlled but

having wide support. Cambodia and Laos had anti-French governments, which were later placated by giving them a higher degree of autonomy. Cochinchina was disturbed by an underground government of the Viet Minh which engaged in guerilla warfare and which created political instability.

In 1946 the French government recognized the Vietnam state and granted it wide powers within the French Union. The question whether Cochinchina was to be a part of the new state was to be decided by a referendum.

A large number of conferences were held from 1946 until 1949, when the French finally conceded Cochinchina to Vietnam. Most of the difficulties were over the degree of independence that Vietnam should be granted. The French were anxious to maintain the new state within the Union, and Vietnam would have nothing less than absolute independence with "collaboration" with France on certain economic matters. To France the total loss of Indo-China meant the beginning of the dissolution of the French Empire; they feared for the future of Madagascar and North Africa.

The war that is now raging in Indo-China broke out in December 1946, when Ho Chi Minh's forces attacked the French garrisons in Tonking. Since then the north of Vietnam has become a major battleground on which, by the end of 1951, more than 30,000 Frenchmen had lost their lives, including some of the best young officer material. The war, which has cost the French about \$1 billion a year, is no nearer an end than it was when it broke out. Despite U. S. military aid valued at several hundred million dollars, the guerilla warfare of infiltration, sabotage, and ruthlessness goes on. The Viet Minh forces are said to receive aid from Communist China.

Some measure of political stability has been reestablished in the parts of Vietnam not held by the communists after the French established as Chief of State of Vietnam, Bao Dai, the former Emperor of Annam. However, many of the Vietnamese regard the Bao Dai government as a French puppet regime and believe that it does not truly represent their desire for national independence. Some of the leaders of the Ho Chi Minh forces are able to command respect because they represent, even to some of the non-communist elements the true fighters for Vietnamese independence.

The communist victory in China has increased the importance of the Indo-Chinese war to the free world. It is no longer a French Colonial problem; large scale aid of the Chinese communists will make a victory for the Viet Minh forces a victory for communism in Southeast Asia.

HISTORICAL OUTLINE OF INDONESIA

The Background

Take an area the size of the United States; flood three quarters of it, leaving several large islands and thousands of small ones, and place about 80 million people on the islands: there you have a replica of the Republic of Indonesia.

The more than 3,000 islands, of which Java, Sumatra, Borneo, and Celebes are the largest, are inhabited with many different peoples, and are overlaid with several cultures. The most important of the races are the Achinese, Bataks and Menangkabaus on Sumatra, the Javanese and Sundanese on Java, the Madurese on Madura, the well known Balinese on Bali, the Sasaks in Lombok, the Menadonese on Celebes, the more primitive Dayaks on Borneo, and Papuas on New Guinea. The languages are as varied, with 25 main languages spoken through the archipelago. Sundanese, Javanese, and Madurese are the most important local languages, but increasingly Malay (now called the Indonesian language) is generally understood and is now the official language of the Republic.

The cultural orientation of Indonesia is not as complex as the above may make one believe. Indonesia is a Moslem state, which gives religious freedom to its subjects, and there are about 2.5 million Christians and more than a million and a half Brahmins (mainly on the island of Bali) in addition to a number of Buddhists; in some of the more remote regions there are heathen tribes.

Since 1950 (December 28, 1949 to be exact) the Republic of Indonesia is a sovereign independent state "cooperating with the Kingdom of the Netherlands on a voluntary and equal basis under the provisions of the Statute of the Netherlands Union". The Dutch crown is recognized as the common link between the Netherlands and the fledgling nation. It is a headstrong fledgling and the cooperation between the former mother country and her precocious youngster is largely non-existent.

Indonesia has the potential for democracy, and it has the potential for economic health and economic growth. Her resources, many of them still dormant, are large; but there are dangers and pitfalls. The cry of "Merdeka", of freedom, is still so fresh in the minds of the people that the enormous responsibilities of nationhood and of citizenship are not yet understood. At a crucial stage in the development of a young nation it is being beset by the insidious infiltration of communism. When even politically mature nations are having qualms over making decisions which may save or destroy western civilization, the young republic, during World War II ruled by a cruel oppressor, has to choose sides. Indonesia has all the resources, human and material, pointing toward a bright future, but there are dark clouds on the horizon.

Communism is not as grave a problem in Indonesia as in some other countries; the largely agrarian population resists the radical tenets of communism. In the growing industrial labor groups, however, communism is somewhat stronger and contributes to the labor unrest. Pilfering is widespread, the import and export trade of Indonesia affording a rich prize. The major industrial unions are communist dominated; recently the fight against internal communism, however, has been pursued more energetically.

Although there was communist influence among the nationalist groups, and some of them were said to be tied to the Comintern in the 1920's, the major danger from communism in Indonesia today does not come from the indigenous population but from the Chinese minority. The recognition of Communist China has brought a large contingent of "diplomatic" personnel from Red China, and this is said to be the center of subversive propaganda against the government. To the extent that the security of the country is endangered by the banditry and lawlessness which has not yet greatly abated, these groups create the breeding ground of economic chaos and false political doctrines. It prevents a really effective campaign against communism by contributing to the insecurity of a young and inexperienced government.

A nation does not outgrow more than 300 years of colonial rule overnight. It takes time and education to endow a large, heterogeneous population with the principles of political democracy. What were the major events that made Indonesia cast off the yoke of foreign rule?

The Early Days

The mixture of old Hindu culture and Moslem tradition has almost become a traceless indigenous culture. In the beginning of the Christian era, the islands of the archipelago were ruled as a number of separate kingdoms by Indian Hindu invaders. A later Moslem invasion (during the fifteenth century) converted all of the archipelago with the exception of Bali (and some of the tribes) to Islam.

The East Indies, as the archipelago was called, entered the world flow of commerce during the sixteenth century when Portuguese traders established contact. The goods entering the trade of the world were more precious than gold. The spice trade, centering around the East Indies, was extremely lucrative. The Portuguese traders gave way to the British, who in turn were replaced by the Dutch. In a short period of time the Dutch traders gained almost a monopoly in the spice trade and controlled a large share of the Far Eastern trade until the British made Singapore her Far East center of trade.

For two centuries the Netherlands' Indies were ruled (and conquered) by the Dutch East India Company. With the dissolution of the company at the end of the eighteenth century the Netherlands government took

over control of the Indies. For the Dutch the possession of the rich East Indies has been a large factor in the development of the Netherlands as a world trading nation.

Until about 1870, the colonization of the Netherlands Indies was pursued largely for the profit of the Dutch treasury, as earlier the profits had accrued to the company. Large tracts of land were put at the disposal of the government and under the supervision of colonial officials the Indonesians had to devote a certain number of days to the cultivation of crops for exports, thus contributing their part time labor. Vastly profitable, this system led to abuses which called for reforms that were instituted through the passage of an Agrarian Law in 1870. Greater private enterprise took the place of governmental exploitation, and the road was cleared for a gradual improvement in the standard of living of the indigenous population. Moreover, the government, after having surrendered its policy of outright exploitation, became more interested in protecting the population; strict but fair government became the rule; health services were organized, and the Netherlands soon gained the reputation of a model colonial power.

The Growth of Nationalism

Although under recent Dutch rule the East Indies made great strides in economic development, and the population of the islands increased rapidly, the Dutch rigorously squelched the growth of any strong nationalist sentiments. As early as 1908 a group of intellectuals had founded a nationalist group on the island of Java. First interested mainly in topics of cultural, economic and social nature, the group soon spread its interest into the political field. This society never gained importance, however, perhaps because it soon was paralleled by a new society which appealed to the Moslem base of Indonesian culture. Although resolutions were made to foster the development of self-government within the Dutch empire, the group lost its appeal when it split into a radical and a conservative branch.

During the twenties, Indonesia saw the development of a nationalistic party, dedicated to non-cooperation with the Dutch and to the use of revolutionary means to achieve its end. The leader of the *Partai Nasional Indonesia* was Sukarno, the present President of the Republic of Indonesia.

As the political strength of this party rose, it was dissolved by the Netherlands government, and Sukarno was interned. He was not freed until the Japanese had invaded the Netherlands Indies and fostered the development of Indonesian nationalism for their own purposes.

At the outbreak of the Second World War, nationalism in Indonesia was still immature. Mainly concentrated on Sumatra and Java, the rest of the archipelago was hardly touched by the sentiments for independence. Although a number of different parties and groups developed, they

never showed much strength. They were split up and divided; they worked at cross purposes and having largely worked underground lacked coordination and drive.

The reaction of the Netherlands to the growth of nationalist sentiments in Indonesia was one of gradual realization that ultimate self-government was inevitable, and the government's policy foresaw a slow growth toward greater responsibilities in political matters.

Self-government

As early as 1916 a legislative council (the *Volksraad*) was established by the Netherlands government, and it met for the first time in 1918. This body, composed of partly nominated and partly elected members (24 of each), had advisory powers with regard to budgetary, military, and other local governmental matters in the Netherlands Indies. Its composition was partly on a racial basis, with 30 Dutchmen, 25 Indonesians of various provinces, and five members of other races such as the Chinese and Indians. In 1922 its powers were increased from merely advisory to actual legislative powers, always subject to the veto of the Crown, and of the High Commissioner.

Although the powers of the *Volksraad* gradually grew, the election of its membership was not truly democratic, and to a large degree the Dutch still relied on the local governments of the ruling potentates in the outlying districts of the Indies.

The desire for ultimate independence, however, was not restricted to the small, ineffectual parties; in 1937 the *Volksraad* unanimously petitioned the Dutch government to grant Dominion status to the Netherlands Indies within 10 years.

The War Years

The swiftly accomplished occupation of the Netherlands Indies by the Japanese resulted in the imprisonment or internment of all Dutch and other European nationals. It was official Japanese policy to eradicate Netherlands influence in Indonesia, and to obliterate any traces of European rule. On the one hand, the nationalist leaders in Indonesia wanted to cooperate with the Japanese, hoping to further the ends of independence, on the other hand, they realized that they had exchanged one foreign master for another. The nationalist groups split up, some of them cooperating with the Japanese even after they had nothing to gain by cooperation, the other group going underground and organizing resistance groups.

Originally, the Japanese did not find much opposition in Indonesia. They were Asians, and they used those nationalist leaders who cooperated with them to aid their own propaganda purposes. As the Japanese lost hope for ultimate victory, they attempted to win greater support from the Indonesians by promising them a larger share in

the affairs of their country. They actively encouraged Indonesia's independence.

The nationalists who had cooperated with the Japanese, led by Sukarno and Hatta, and representing the islands of Java, Madura, and Sumatra, went so far as to proclaim the desire to range the Indonesians on the side of Japan against the Allies. The defeat of the Japanese and the Indonesian declaration of independence under Japanese auspices were almost simultaneous.

After a number of conferences with the Japanese commanders Hatta and Sukarno proclaimed the independence of the Republic of Indonesia, in the name of the Indonesian people on August 17, 1945. Not until five days later was it officially announced by the Japanese commanders in Indonesia that Japan had surrendered on the 15th.

Postwar Developments

The Dutch suspect that the support for the early declaration of independence and the later surrender of Japanese weapons to the Indonesians rather than to the Allies, were deliberate moves on the part of the Japanese. Without a doubt, these two moves contributed greatly to the outbreak of the Dutch-Indonesian conflict after the war.

The declaration of independence for Sumatra, Madura, and Java did not immediately receive the full support of all its people, particularly not of the police and pre-war administrative officials. However, the *de facto* recognition of the new Indonesian "government" set up as speedily as possible, by the British troops assigned to accept the surrender of the Japanese, swayed popular sentiment toward the new republic. The British forces were under strength and ill prepared to take over the large task of protecting the former interned Europeans and also disarm the Japanese troops remaining on the Islands. Without the cooperation of the Indonesians it would have been an impossible assignment. Though doubtless a necessary step, the Dutch were displeased with it, and claimed that it strengthened the hand of an irresponsible government. In other areas of Indonesia, Netherlands' control was re-established without major trouble.

The Dutch were prepared to turn over increasing responsibility to the Indonesians, as was announced by the Dutch Crown in 1942. The Netherlands Overseas Territories were to stand on a basis of constitutional equality with the mother country but the exact organization of Indonesia was not defined.

In 1946 definite proposals were made by the Dutch, suggesting the establishment of a Commonwealth of Indonesia (consisting of the several parts of Indonesia with varying degrees of self-government) with important powers of government given to its own democratically elected body but with a few reserved powers for a representative of the Crown as the head of the government. Indonesia would thus have a federal structure. The Dutch

suggestion for a federal form of government for Indonesia stemmed from the fact that under such a government the Republic of Indonesia, with its large population, could not dominate those other groups of the archipelago which were not part of the Republic.

Partial Agreement

In November 1946 the negotiations between the Dutch and the leaders of the Republic of Indonesia led to the Linggadjati Agreement in which the *de facto* authority of the Republic was recognized over the islands of Java and Madura, and of Sumatra only insofar as the Netherlands troops were not in control of areas. The agreement also provided for the creation of a Union under the Crown in which the mother country and the future United States of Indonesia (of which the Republic would be one part) would be co-equal partners.

Following acceptance of this agreement, but before it was officially ratified, the islands to the east of Borneo and Java formed an autonomous state, the so called "Great East". This was to be part of the United States of Indonesia. On Borneo several smaller states were organized.

The emergence of a federal state led to splintering of some of the territories of the Republic, believing that in separate statehood under the Union their identity could be better preserved. It was not until 1948 that a provisional Federal government was organized in the capital city, Batavia, now named Djakarta.

In the meantime, however, the Dutch, maintaining that the Republic was not living up to the Linggadjati Agreement, began to occupy some of the territories of the Republic, particularly on Java and Sumatra. The war that ensued did not stop until the end of 1949 when all sovereignty was transferred to the Republic of the United States of Indonesia.

The reasons for the outbreak of the war are many and varied. Most important was the fact there never was any real meeting of the minds on the various agreements made between the Dutch and the leaders of the Republic of Indonesia, who believed they rightfully represented the desires of all Indonesia. The Indonesians felt that some of the declarations of principle in the agreements were *de facto* recognition rather than statements of plans for future action. The Dutch, on the other hand felt that they were not dealing with an equal partner but merely with the future leader of the U. S. of Indonesia; at the time of negotiating, they were not juridically recognized. Another factor is that the Republic was aided by a great deal of popular sentiment in their favor, throughout the world. If the Indonesians meant what they said, they wanted outright recognition and independence first, after which they would voluntarily join in a Union with the former mother country.

The Dutch and Indonesia

The relationship between the Republic of the United States of Indonesia and the Netherlands was laid down in the Statute of the Union, which gave Indonesia complete and unconditional sovereignty. There was one territorial dispute, however that has remained unresolved until this day. Western New Guinea remained Dutch territory. Although the Indonesians laid claim to it as part of their domain, they never controlled it, and its future under the Statute of the Union was to be settled by peaceful negotiation between Indonesia and the Netherlands. The date, December 1950, by which the negotiations were to have been concluded has passed but no agreement has been reached.

Perfunctory negotiations are taking place in the Netherlands, concerning the future of West Irian, as the Indonesians call western New Guinea. The Indonesians, when referring to this area, talk about the "violation of Indonesian sovereignty" although they have never exercised it, and the Dutch have never relaxed their control of this remnant of a great empire.

The Indonesians, proud of their newly won sovereignty, are chafing under the Statute of the Union. To them the association with the Netherlands through the Crown is too much a reminder of former colonialism. Indonesia has proposed the replacement of the statute by a treaty. The commonwealth, so greatly hoped for by the Dutch, with profitable trade and close economic relations, seems almost stillborn.

The federal structure of Indonesia was not of long duration. Organized under a provisional constitution, it was soon attacked as a Dutch creation of puppet states, and in 1950 it was replaced by another provisional constitution making Indonesia a unitary state. A large part of the sacrifice to preserve the identity of some of the island cultures by restricting the political power of the Javanese majority has been in vain. Only the future will tell whether the new constitution will contribute to the growth of democratic institutions in Indonesia.

ECONOMIC TIES

In times past the focus of the entire economic life of the nations of Southeast Asia has been directed toward two goals: self-preservation and the production of raw materials. In many parts of the region the productivity of farm labor has been so low that one man produced little more than enough for himself and his family. It has been estimated that the average food production in the Far East only exceeds by thirty percent the amount needed to feed the producer. The direct consequence of this low productivity has been that any substantial migration of labor to non-farm pursuits has resulted in lower agricul-

tural production. If this non-farm labor was engaged in the production of commodities which entered into world-trade channels, some of these exports would have to pay for the importation of an amount of foodstuffs equivalent to that originally produced by the former farmer.

Although a large variety of raw materials, both agricultural and mineral, are produced in Southeast Asia, the economy of the region is most intimately tied to the production of rice, rubber and tin. These commodities, entering world markets in large amounts, determine the earning capacity of the Southeast Asian nations. By no means all of the foreign exchange earned by the sale of raw materials is available for the beneficial use of the countries producing these raw materials: much of the productive capacity, beyond the subsistence level, has been financed and is still owned by the nations which have controlled the countries of Southeast Asia.

Great Britain, France, and the Netherlands, have a vital financial stake in Southeast Asia. Their interest lies not only in the procurement of raw materials but also in earnings from the investments made in the area during the period of colonialism. Commodities sold on world markets for dollars which Southeast Asia could spend in (or remit in profits to) Western Europe, provided Europe with dollar exchange to finance imports from the United States. This form of triangular trade was one of the most important factors in the relative stability of the world money market in pre-war times. Not only were the colonies dollar earners but they were also important markets for the industries of Western Europe. The increasing feeling of nationalism and the successful drives toward political independence of the nations of Southeast Asia has greatly reduced this triangular trade.

It has been estimated that in the pre-war period 18% of the national income of the Netherlands was derived from her East Indies. Comparable recent figures are not available, but the loss of Indonesia has been a heavy financial blow to the Netherlands. Although commercial and financial relations between Indonesia and the former Western European mother country are still close, there is increasing evidence that Indonesia is trying to rid herself of her ties to the Netherlands.

French Indo-China's trade in the pre-war period was dominantly orientated toward France which she supplied with raw materials of many kinds. Although the French grip on the economy of Indo-China has by no means been broken, it will undoubtedly continue to weaken. During the period of the present war in Vietnam the economies of the Associated States of Indo-China are supported largely by the defense expenditures of the French Government, which is spending about \$1 billion annually for the defense of her partners in the French Union.

The only country of Southeast Asia which still remains in true colonial status is the Federation of Malaya. Great Britain, which in the past has shown fairly enlightened colonial policies leading toward the ultimate self-government of most of her territories, has been somewhat reluctant to speed such a process for Malaya. The reason is simple: the Malay Federation has in the recent past been the greatest net dollar earner in the entire British Commonwealth. Most of the dollars earned by the exports of Malayan rubber and tin have been surrendered to the Sterling Area dollar pool in London, and only the most necessary imports into the Malay Federation have been permitted to be paid for with dollars.

Doubtless much of the Southeast Asian policy of the colonial powers has been dictated not by a lack of insight into the tremendous drive for independence but a desire to make sure that the emerging independent states of Southeast Asia will not cast aside their commercial and financial ties with Western Europe. It is one thing for the European powers to realize the inevitability of emerging sovereignty in Southeast Asia; it is another to allow the extremely profitable and often essential commercial and financial ties with these nations to break completely. Another important factor is the knowledge that the economic development of these countries will not only require funds but will also provide markets for the goods of Western Europe. Although the colonial nations differ in their method, their one goal is to provide for the growth of Southeast Asian independence within the framework of a union with the mother country.

It is questionable whether this goal can be achieved. Great Britain, formerly successful in holding the Commonwealth together, has failed to keep Burma in the British Empire; the status of Indo-China in the French Union is most tenuous; in all essential aspects the Netherlands Union is a paper scheme. In the eyes of the indigenous population, the motives of Western European interest in the countries of Southeast Asia are suspect for several reasons; in the first place, the colonial powers, while often promising the eventual independence of the colonies, have been hesitant, at best, in implementing the measures required to prepare the people for independence. Secondly, during the present period of world tension the interest in the military defensibility of the area is interpreted as primarily a selfish interest on the part of the Western powers rather than an altruistic attempt to foster the development of freedom and a higher standard of living for the teeming masses of the Asian subcontinent. Communist propaganda has been able to exploit these suspicions, and the policy of the free world should recognize that communist support of the drives toward independence of the nations of Southeast Asia is regarded, by them, as genuine help.

THE PATTERN OF TRADE

Domestic

In studying the economic structures of the countries of Southeast Asia, one of the main facts which must be kept in mind is that the greater part of the indigenous population, engaged in agrarian pursuits, is not used to a money economy. The main satisfaction of wants is derived from the soil. The growing of foodstuffs, often just above the subsistence level, is the main contribution by the larger part of the population to the economy of the country. Although commercial crops of rice and other cereals, rubber, lac, and other commodities are grown, a large part of the population engages in agriculture for its own subsistence only. Any surplus is used to reduce the debt owed the moneylender or to barter for simple consumer goods. The use of surplus crops for general sale and the satisfaction of demand through the use of money and a "free market" is by no means a universal practice. The limited amount of actual trade that takes place in the hinterland of the Southeast Asian nations is not an integral part of the communal life, but rather a series of individual transactions between members of small groups. Over most of Southeast Asia the Chinese minorities have invaded the field of trade and commerce and, often being more apt at trading than the natives, have acquired a special status in these countries.

Although the Chinese, an important minority in all of the countries of Southeast Asia, have supplied the labor for a number of mining industries and the rubber estates, in many instances the Chinese immigrant has found the field of retail trade to be more lucrative than agriculture. He was interested in saving sufficient money to send home for the support of his family and to provide for his ultimate return to the land of his ancestors. The Chinese became the middleman, the trader, the retailer, no matter what his occupation might have been in his homeland.

Being thrifty and born traders, the Chinese soon became economically powerful enough to enter the banking business, the export and import trade, and the shipping industries. In most of the countries of Southeast Asia one finds a number of very wealthy and powerful Chinese, strongly entrenched in the economic life of the country. Until recently the Chinese favored the family type of business and left the joint stock enterprises to Europeans, but this is slowly changing and there remain few fields in which the Chinese have not made in-roads.

Thus one finds that in the countries of Southeast Asia which still are, or once were, under the domination of a European nation, that certain sectors of the economy were largely preempted by the nationals of the colonial power or by the Chinese. Even in Thailand, the only country never under Western domination, the Chinese

play an important role in the business world. The native populations, if not engaged in agriculture, furnish most of the labor for mining and for commercial farming.

The problems of Chinese minority groups, consequently, hinge not only on the fact that in general the ethnic Chinese have not assimilated, either racially by intermarriage, or by adopting the nationality of their new home in any real sense of "belonging"; they are frequently resented because of their economic power and influence, and it is immaterial that they may have achieved their power through ability and thrift in the face of ineptitude of the indigenous people in commercial matters.

In the countries of Southeast Asia the average annual per capita income is estimated as ranging between \$30 to \$40. As a large part of the population depends on agriculture for a living, the actual cash available for the satisfaction of normal wants is extremely small. In addition, in many of the agricultural areas, the native farmer is continually in debt to the local moneylender who has extended funds at high rates of interest for funeral or feast and awaits the next harvest to get his due. In many cases this agricultural indebtedness has led to absentee ownership of the rice fields, and tenant farming.

Foreign

The pattern of the external trade of the countries of Southeast Asia dealt with in this study reflects rather accurately their relationship with the nations of Western Europe. This relationship has been treated in the section on economic ties.

It is interesting to compare the stake of each of the countries of Southeast Asia in Far Eastern Trade. (See table below.)

Burma and Thailand are the two countries depending most on the Far East as markets for their products and sources for their imports. Burma exports 60% of her total exports to the Far East and gets 50% of her imports from there. This represents only a 10% drop from the 1938-9 percentage figures.

Thailand's dependence on Far Eastern trade is even larger than Burma's: about 75% of her total exports are to Far Eastern countries, a percentage which has not changed significantly since 1938-9. However, in 1938-9 Thailand procured almost half her imports from the area of the Far East, whereas in 1949, the latest year for which comparable figures are available, only 33% of her imports came from there.

In the case of Malaya, the participation in Far Eastern trade reflects her position as a dollar earner for the Sterling Area. Only about one fifth of her exports go to Far Eastern countries, while one quarter of her total exports goes to the U. S. alone. A large percentage of Malayan imports, however, are purchased in the Far East, 60% in 1950. In addition to the fact that Malaya

sells in dollar markets and buys in soft currency areas, the figures also reflect the position of Singapore as an entrepot port and transshipment center for much of the foreign trade of her neighbors. Although 30% and 26%

Percentage Distribution of Southeast Asian Trade with Selected Areas

Pre-war-Post-war
(% of total exports or imports)

	FAR EAST	JAPAN	U. S.
Burma			
Exports to			
1938-9.....	70	1.9	0.16
1950 (6 mo).....	60	17.4	0.08
Imports from			
1938-9.....	60	6.6	3.4
1950 (6 mo).....	50	2.2	4.6
Thailand			
Exports to			
1938-9.....	78.5	1.3	0.26
1949.....	74	6.9	(1950) 26.8
Imports from			
1938-9.....	49	15	4.7
1949.....	32.6	10.9	(1950) 13.2
Malaya & Singapore			
Exports to			
1938.....	16.6	9.45	30
1950.....	22.8	2.9	26.5
Imports from			
1938.....	62.5	2.26	3.1
1950.....	61.5	3.24	3.1
Indo-China			
Exports to			
1938.....	25	3	8.8
1950.....	24	n.a.	20
Imports from			
1938.....	27	2.84	5
1950.....	6.8	n.a.	5.75
Indonesia			
Exports to			
1938.....	23.8	3.1	13.5
1950.....	36.2	1.26	16.5
Imports from			
1938.....	17.4	14.8	12.4
1950.....	22	10.1	21.4

NOTE: n.a. means not available.

Compiled from data published in
"Economic Survey of Asia and the Far East, 1950"
United Nations

of Malayan exports in 1938 and 1950, respectively, went to the U. S., only 3% of her imports were procured in the U. S. in each of the years given.

Indo-China exported about one quarter of her total exports to the Far East, both in 1938 and in 1950. Her imports from the area, however, dropped from 27% of the total in 1938 to 7% in 1950. A much larger part of Indo-Chinese exports went to the United States in 1950 than in 1938, the percentages being 20% and 8.8% respectively. The share of the United States in the total of Indo-Chinese imports, however, has not changed significantly, being about 5% in 1938 as well as in 1950.

Indonesia took a more active part in Far Eastern trade compared with other areas in 1950 than in 1938. While 24% of her total exports went to the Far East in 1938, in 1950 this percentage was 36%. Compared with 17.4% in 1938, in 1950 she bought 22% of her imports from Far Eastern countries. Although her exports to the U. S. remained relatively static, in relation to the share of the U. S. in Indonesian exports, Indonesia procured about one fifth of her total imports from the U. S. in 1950, compared with only one eighth in 1938. This change reflects the greater use which Indonesia has been able to make of her dollar earnings, compared to pre-war.

In regard to the trade between the countries of Southeast Asia with Japan, there was a significant increase in the share of the total exports of Burma and Thailand going to Japan, whereas the reverse is true of the Malaya-Japanese trade.

The share of imports into the countries of the area supplied by Japan decreased greatly in the post-war period compared with 1938. This reflects the drop in Japanese exports following her defeat and the almost complete collapse of her economy. The rapid recovery of Japan during the recent past will probably soon be reflected in an increasing share of Japan in the export and import trade of the countries of Southeast Asia.

Should Japan be able to fill the need of Southeast Asia for capital goods, and should she shift her purchases of raw materials for her industrial machine to Southeast Asia, the two-way trade between the countries of Southeast Asia and Japan may well show a significant rise in the future. The increase in the regional Far Eastern trade that would result from such a development would concurrently increase the regional interdependence.

NATURAL RESOURCES OF SOUTHEAST ASIA

General

The countries of Southeast Asia are rich in resources of many kinds, both mineral and agricultural. Due to some outstanding deficiencies in coal and iron ore, however, the development of a major industrial complex does not seem likely in the foreseeable future. Although coal and iron ore have been found in Southeast Asia,

either the quality is not adequate for economic exploitation under presently known methods, or the majority of the known deposits is too minor and scattered to allow for speedy development. Except for some hard coal deposits of major proportions in Indo-China, most of the coal deposits are ligneous or bituminous and thus unsuitable for making steel.

Southeast Asia's requirements for machinery will be largely dependent on the present centers of heavy industry for the foreseeable future. There is valid doubt of the feasibility of establishing indigenous iron and steel production of important size. However, there should be room for light industries to satisfy the needs of the people of Southeast Asia for consumer goods. In the immediate future the production and processing of raw materials and agricultural products seems to be a more economic way for the countries of Southeast Asia to continue the development of their domestic economies.

One of the major problems, as has been indicated in an earlier part of this study, is the present relatively low level of agricultural production. Small land holdings, intensively worked, need maximum amounts of labor. Until land holdings can be enlarged, agricultural production modernized, and the farm productivity per man and yield per acre greatly increased, available labor will be needed on the farm rather than in the factory.

The following sections will outline the natural resources of each of the countries treated in this study. Each of the country sections will be broken down to show agricultural, mineral, and hydro-electric resources.

It should be pointed out here that in regard to mineral and hydro-electric resources, the knowledge about the geophysical characteristics of each of the countries is quite limited. In almost all of the countries geologic exploration is just in its infancy. Geologic surveys must be preceded by mapping, and even in this respect, the countries of Southeast Asia are deficient. Much of the estimates of mineral resources are based on quite incomplete and spotty explorations, and all of the material dealing with this subject must be considered with this in mind.

During the post-war period most of the countries of Southeast Asia have made great efforts to explore and develop their resources. The future may show some great and important changes in the economic prospects of some of the areas.

With nationalistic fervor common to countries that have recently won their independence, most of the Southeast Asian nations rely on government planning and control over economic development.

Living under constitutions incorporating certain socialist principles, the Southeast Asian knows little about U. S. private enterprise and the operation of the free market. In addition, the low economic development of the countries has prevented the accumulation of sub-

stantial domestic savings and the necessary capital for larger investments can therefore only be obtained from abroad. Fear of renewed economic domination or exploitation by a foreign power presents an obstacle to generous treatment of foreign capital.

The development of the economies of the nations of Southeast Asia could be severely restricted by nationalistic or socialistic economic policies. In addition, the political instability of the area will present another obstacle to the availability of foreign capital resources and private know-how.

In regard to power development, the countries of Southeast Asia have been very anxious to restore and improve the electric generating facilities which suffered severely during the Japanese occupation and the war. Whether through under-maintenance or actual damage, the early post-war period was characterized by an acute shortage of power. Although the countries are fairly rich in potential water power, little actual development of the hydro-electric power generation has taken place. During the years prior to the war, most of the electric power development was in private hands and the needs for electricity had been met by thermal plants, using coal or oil and occasionally diesel engines. Many of the actual generating plants were the private property of industries which consumed all their own electric power.

The exploitation of hydro-electric resources requires amounts of capital and technical experience beyond the means of local private companies. Steam generators were cheaper and assured a quicker return on the investment. This led to planning of hydro-electric power development based on state ownership, despite the fact that the governments have neither the funds nor the technical experience to execute the plans.

Little accurate data are available on the potential hydro-electric resources of the Southeast Asian countries. The following figures represent available estimates of the waterpower reserves of the five countries, in potential firm power (millions of kwh per year).

<i>Country</i>	<i>Potential annual yield</i>
Burma	72,000
Fed. Malaya	8,000
Indo-China	36,000
Indonesia	26,000
Thailand	24,000

At present, none of the countries use more than 2% of this water power, most of them considerably less.

BURMA

Agriculture

Burma lives on a rice economy. The climate of the areas of the Irrawaddy River and Lower Burma is such

that the necessary water for the growing of paddy rice is assured in abundance. Although an indigenous crop, under British rule the growing of rice was promoted until Burma became the world's largest rice exporter. During the thirties, Burma exported more than 3 million metric tons a year. The problem of absentee landownership has been indicated in the historical outline on Burma. The depression in the rice producing areas of Burma during the Japanese occupation when no rice exports took place was lightened only by the fact that the money lenders, and British law upholding their land titles, left the country. The strength of absentee landownership was broken, and the Burmese decided never to let it regain its grip. However, the legal tangles resulting from the claims of the Indian money lenders are one of the most pressing problems in Burmese-Indian relations.

As about two-thirds of the cultivated land of Burma is planted to rice, the other agricultural products are not of major importance. Except for teakwood and cotton, and a number of vegetable oils and nuts, agricultural products do not loom large in Burma's external trade. Rubber is grown in Burma but production is not substantial, amounting to about 10,000 metric tons in 1950.

The major agricultural problem in Burma is still the rehabilitation of rice production. Two million acres of rice land must again be brought under cultivation, irrigation systems must be repaired, and the supply of draft animals must be replenished. All these programs must be fulfilled before Burma can return to its status as the world's most important surplus-producer of rice. The accomplishment of these tasks, however, will not be possible until political stability is achieved.

Minerals

The mineral resources of Burma are varied and quite extensive. Prior to World War II Burma was the second largest producer of tungsten, in 1939 producing 5,000 tons, but postwar recovery has been very slow. Also a producer of copper, lead and zinc with considerable reserves of fairly rich minerals, Burma's production has not returned to pre-war levels but has remained a mere trickle. Although the tin mines had not suffered extensive damage during the war, and therefore production on a substantial scale was easily resumed, in 1949 and 1950 the political disturbances within the country reduced production, and 1950 production was only 1,710 tons of tin, about $\frac{1}{3}$ of the prewar average.

The resources of coal, generally minor in all of Southeast Asia, are not important for Burma. Although found in about 10 districts, only two or three of them are of commercial importance. Despite the trend, in all the countries of Southeast Asia, toward indigenous coal production, there has been no production in Burma. The government has undertaken steps, however, to exploit the two best deposits.

Inadequate topographic mapping and exploration does not allow accurate estimates of the iron ore resources of Burma. Although numerous deposits have been found, the exact extent of the reserves is not known, and only the deposits in the Northern Shan States have been worked in the past, mainly to provide a flux for lead smelting operations.

In all of Southeast Asia, the postwar period has been characterized by a diligent search for petroleum. Although the production of oil in the area has been rising steadily, Burmese production has only recovered slightly, amounting to 316,000 barrels in 1949 compared with a 1936-41 average of more than 7.5 million barrels.

Oil production in Burma has recently been handled by the corporate efforts of three companies: the Burmah Oil Company, owning 76.8%, the Indo-Burma Petroleum, owning 17%, and British Burma, owning 6.2%. Under the program of nationalization, provided for in the Burmese constitution, the Burmese Government has been negotiating with the British Government for a loan for £5.7 million to acquire a 30% interest. This represents a softening of official policy which originally foresaw taking over oil production completely, and an agreement has been reached for the one-third ownership and a corresponding share in the profits.

Far from being a net exporter, as it was before the war, Burma produces only about 40% of her own requirements, importing the rest from Borneo, the Near East, Indonesia, and Sumatra. The major oil fields in Burma are presently not being worked, due to the civil disturbances.

As of January 1, 1950, Burmese oil reserves were estimated at 50 million barrels, or 0.06% of world resources.

Hydro-electric power

In Burma, as in all the countries of Southeast Asia, both the total and the per capita production of electric power is insignificant compared with the production in the more highly developed countries of the world. For example, the per capita production of electric power from all sources (coal, oil, and water power) was as follows:

United States	 (1947)	1775	kwh
Canada	 (1947)	3580	
United Kingdom	 (1947)	855	
Burma	 (1949)	5.3	
Indonesia	 (1949)	5.2	
Malaya		not available	
Thailand	 (1949)	3.0	
Singapore	 (1949)	176	

In Burma only 35% of the power generated is derived from hydro-electric power plants, the rest being generated from thermal plants, using oil or coal, and a small amount from diesels.

Of the total 36,800 kw installed capacity in Burma in 1949, much was owned privately by industries which had

their own power-generating facilities. Since the power statistics on Southeast Asian countries do not always break down the figures to show the privately generated and publicly generated power, an accurate picture is difficult to draw.

It may be stated, however, that in prewar days, most of the generating capacity had been developed by private enterprise; this private ownership even extended to hydro-electric power, of which 96.9% was privately owned before the war. However, the increasing need for power development, the greater capital outlay required, and the political instability in most of the nations is closing this field for private enterprise and the development of hydro-electric power is becoming increasingly a governmental function. In most cases, however, the respective governments have neither the funds nor the know-how to further this development, and the need for outside assistance, both financial and technical, will be substantial.

In Rangoon and most of the other larger cities, the electric generating capacity has recovered from the damage of the war years. In most of the country, however, the facilities are not back to prewar standards. Due to the civil strife, demand, particularly by industry, is not as large as prewar, hence any really acute power shortage has been averted.

THAILAND

Agriculture

As was true of Burma and Indo-China, Thailand has for many years been a net exporter of rice, the food staple of Southeast Asia. Unlike Burma, Thailand has surpassed her pre-war exports of rice, this staple constituting 40 to 50% of the value of all Thai exports. Pre-war Thailand had about 95% of her cultivated acreage planted to rice, and this commodity, together with rubber, tin and teak, make up almost the total of Thai exports. The rice exports are handled by the government which derives a substantial amount of revenue from it.

The development programs of Thailand, similar to the programs of the other countries of Southeast Asia, involve diversification of agricultural production without decreasing the harvest of rice. The nations want to free themselves from excessive dependence on the cultivation of rice.

A large part of the land area (60-70%) of Thailand is covered with forests yielding teak, an important export commodity. About 45% of the teak concessions are in British hands, while about 40% is exploited by the local governments. A small percentage (15%) is retained by the local owners.

A commodity of increasing importance in Thai exports since prewar days is rubber, of which 112,000 metric tons were produced in 1950. Although expected to increase by

25% in 1951, Thai rubber production was approximately the same in 1951 as in 1950.

Minerals

Although Thailand is a land rich in mineral resources, commercial exploitation of these has largely been restricted to tin and tungsten. Others found in Thailand are antimony, coal, copper, lead, zinc, manganese, molybdenum, silver, and some precious stones. Small iron ore operations, and some mining of lead and antimony, are also taking place.

Thai tin production is not comparable to the Malayan production, the 10,530 metric tons produced in 1950 being only 66% of the 1938 production, whereas Malaya had increased her tin production in 1950 to 130% of the 1938 total. Thai production has lately been recovering rapidly; it was fostered by the government which allowed the tin producers to retain 60% of their foreign exchange earnings as a stimulus to expanded production. 60% of Thai tin comes from dredging operations largely owned by British and Australian interests.

The future economic development of Thailand will probably not include steel mills, since iron ore deposits are not one of Thailand's assets. Although a number of outcroppings have been found, most of them are presently of no commercial value; however, more thorough geologic exploration may divulge better iron resources. In one district in which detailed exploration has been undertaken the deposit is said to contain in the neighborhood of 1.5 million tons. Production in commercial quantities has not taken place, aside from one 25 ton per day operation for the production of pig iron using charcoal.

Thailand is a fairly important producer of tungsten, but past production has varied greatly. The peak production years during the war showed Thailand producing between 1,000 and 2,000 tons annually. The post-war slump, with 200 tons of tungsten production in 1946, has been increased to a 1,000 ton annual production in 1950. The Thai government has recently announced that it had decided to nationalize the tungsten industry after the present concessions expire. According to the Thai government announcement, under the management of the Thai Department of Mines production is expected to increase.

Thailand's position in regard to coal is not much better, the five known deposits of fair size consisting largely of lignite. No coal is presently being mined.

Together with the other countries of Southeast Asia, Thailand has increased its search for oil. Deposits of a size sufficient for exploitation are said to have been found in the south of the country. According to some reports oil drilling equipment has been ordered from abroad.

Hydro-electric power

The installed electric generating capacity of Thailand is the smallest of the countries in the area covered by this report, amounting, in 1949, to an estimated 30 thousand kw. Although 1950 showed an increase in the power generated, the amount being 156% of 1938, there still existed a critical shortage which will not be relieved until several hydro-electric projects have been completed. A loan for this purpose has been extended by the International Bank for Reconstruction and Development, and some thermal power generators, to alleviate the shortage on a short term basis for the city of Bangkok, have already been ordered.

The planned hydro-electric plant, a five year project calling for the installation of 14,400 kw, requires an extensive dam, and is designed to supply power mainly for the city of Bangkok.

MALAYA

Agriculture

The agricultural economy of the Federation of Malaya is based on rice and rubber. The rice production, not sufficient for domestic consumption, is supplemented by imports, generally from Burma or Thailand. Rubber, the mainstay of Malay economy, is grown on estates and on small holdings. In 1949 just over 400,000 tons of rubber were produced on estates (covering 1.9 million acres) and slightly more than 270,000 tons derived from small holdings (1.4 million acres). 1950 production of 694,000 tons was the post-war high. 1951 production was reduced to about 610,000 tons. Indonesia is now a larger producer of rubber than Malaya. Other agricultural products of importance to the Malay economy are palm oil and kernels, coconuts, copra, and tea.

Of the agricultural products rubber is by far the most important one, providing, along with tin, the bulk of Malay's foreign exchange earnings. Much of the rubber and tin are exported to hard currency areas (dollar areas) and the resulting dollar exchange goes into the Sterling Area dollar pool in London. Only a small proportion of this is allowed to be spent on dollar imports into Malaya. During the post-war period Malaya has been the largest net dollar earner in the entire Sterling Area, and this fact, aside from strategic considerations, accounts for the British desire to maintain the Malay Federation under British rule.

The Malayan rice deficit has been running at about 500,000 tons annually, despite efforts to increase domestic production. During periods of high world prices for rubber and tin this has been no serious disadvantage, but the fluctuations on the world markets have made the Malay economy peculiarly dependent on the world market prices of these commodities.

Minerals

The mining industry of the Malay Federation mainly revolves around tin. Ilmenite and iron ore are other minerals which figure in export trade from Malaya. Ilmenite, which is the by-product of tin production in some of the Malayan deposits, is the source of titanium, a recent arrival in the group of important metals. In 1949 as much as 20,000 tons of ilmenite was exported, and the exports could be stepped up, should the need arise, by reworking some of the waste materials from tin production.

Malayan tin, long one of the important products of the Malay economy, has historically supplied between one-half and one-third of the world supply. The country is the largest single producer of this mineral. Despite banditry and terrorism in Malaya, tin production has not suffered excessively although the tin mining centers are provided with special police protection. In fact, the last few years have shown an increase in tin production and the average pre-war production has been exceeded. The peak year of Malayan tin production was 1940 when 84,000 tons (tin content) were mined. The production of 58,460 tons of tin in 1950 was 130% of the 1938 production rate. The 1951 production is expected to be slightly lower than during the previous year.

The bulk of tin is obtained from dredging operations, although other methods are also employed.

Since 1921 Malaya has been a producer of iron ore, exporting as much as 2 million tons a year just prior to World War II. During the war all ore was exported to Japan, and after the end of the occupation the mines were in need of rehabilitation. By 1949, however, exports had again reached a level of 460,000 tons of iron ore, and 1951 production was expected to reach 850,000 tons. The search for and development of new deposits of iron ore is going on. Although her reserves are not large, there have been five different deposits found, some of which are now near exhaustion. One of the known deposits is expected to yield 30 million tons.

Malaya is the only country of Southeast Asia which is usually self-sufficient in coal, although all production (a cumulative total of about 12,000,000 tons) has come from one mine. During the past year production has declined, due to labor shortages and equipment failures, and imports were required to supplement domestic production. Altogether three areas with known coal deposits have been found. Since the coal mined in Malaya is lignite, it is not suitable for iron and steel production and its economic uses are limited to heating and power generating purposes.

Although Malaya mined as much as 1,639 metric tons of tungsten (in 1936) production since the war has been very small. Several deposits are known and have been mined, but the tungsten resources of the Federation are not of major nature.

Hydro-electric power

Malaya suffers from an acute shortage of electric power. Only 29% of Malaya's electric power comes from hydro-electric developments, and most of this (about 92%) was privately owned. The power installations have suffered war damage which was slow to be repaired. In some cases domestic industries, tin and rubber, had to curtail operations somewhat, due to the shortage of power. The total shortage of capacity, including the power needs of anticipated new industries has been estimated at 120,000 kw.

A rather ambitious expansion program, to link up the present systems and expand the use of hydro-electric power, is slowed by the civil strife and the attendant budgetary difficulties. The expansion of the hydro-electric generating facilities will take an estimated eight years, and no immediate alleviation of the shortage is anticipated.

INDO-CHINA

Although administratively Indo-China has been broken up into separate entities, Vietnam, Laos, and Cambodia, for the purposes of this section the resources of the area will be treated as one, except where special treatment is required.

Agriculture

The basis of the peasant economy of Indo-China is rice. Constituting 90% of the people's diet, rice also made up about 35% of the pre-war exports of French Indo-China. Surplus rice production, however, is not typical of all sections of the area; the less populated fertile deltas of the Red River in the North (now part of Vietnam) and of the Mekong River in the South, contribute their share not only to the rice going into export but also supply the deficit areas in the overpopulated regions of Annam and Tonking, both of which are part of Vietnam. The southern end of the Vietnamese State, Cochinchina, embraces the delta of the Mekong River, and the entire crop of many of the Cochinchinese provinces consists of rice.

The amount of rice which is annually available for exports depends not only on the local political situation, which has been unsettled and chaotic, particularly in North Vietnam, but also, to a great extent on the climatic conditions. Large variations in the amount of the annual harvests is not at all uncommon. In recent years rice exports have varied from just over 100,000 tons (metric, cleaned basis) to an expected 300,000 tons in 1951. This has been an encouraging sign, but compared with pre-war exports, Indo-China has lost much ground; the 1934-39 annual average rice exports amounted to almost 1.3 million tons.

Another agricultural crop of major importance is rubber which is produced on estates financed by French com-

panies. Before the war Indo-China accounted for about 2% of the world's output of rubber. During the post-war period the recovery of rubber has been encouraging, despite the political chaos. Rubber production in 1938 was about 60,000 metric tons; the post-war period has been characterized by a slow recovery so that in 1950 rubber production reached 48,000 tons. Most Indo-Chinese rubber is exported.

Other agricultural crops of Indo-China are cotton, coffee, tea, sugar and pepper. In addition the dense forests of the area contribute ebony, mahogany, cinnamon, and cinchona, the basic raw material for the production of quinine. Fishing is an important industry, contributing not only to the export trade of the Associated States of Indo-China, but supplementing the diets of the people.

Minerals

Indo-China is not richly endowed in mineral resources, but she does have one asset that most of the other nations of Southeast Asia lack. Her coal resources, found in North Vietnam, have produced as much as 2,335,000 tons a year (1938). During the postwar period recovery of coal mining has been slow. Since most of the civil war is taking place in North Vietnam, rehabilitation and development of new coal production facilities has been severely hampered. The production of 250,000 tons in 1947, however, was almost doubled in 1950. Expectations for 1950, of more than 700,000 tons of coal production, have not materialized, mainly due to the civil disorders.

Contrary to the poor qualities of coal found in the other countries of the area, the main deposits in Indo-China consist of anthracite and bituminous coal, although some small deposits of lignite have also been found.

Indo-China is also fortunate to have several high grade deposits of iron ore. Hematite and magnetite deposits, consisting of 50-60% iron, have been found and are being worked in North Vietnam. Production, however, has been on a very small scale, amounting to only 21,975 tons in 1944, recent figures not being available.

Before the war Indo-China produced a fair amount of tin, production averaging about 1,500 tons a year. Since the war, however, there has been little recovery of the tin industry; in 1949, for example, total tin production did not amount to more than 60 tons. Zinc and tungsten are produced in minor quantities.

Hydro-electric power

Very little information is available on the electric power-generating facilities in Indo-China. Pre-war power production has increased by about 180%, but in the main the power facilities are restricted to the urban areas and to the industries. The shortages, less acute than in the other countries, are being eliminated by the construction of generating plants. The present political upheavals

however prevent active planning for the exploitation of the available water power resources. Indo-China is only second to Burma in water power potential, the total being estimated at about 36,000 million kwh. As in the other countries of Southeast Asia, only a very minor percentage of this potential power is presently being utilized.

INDONESIA

Agriculture

The Republic of Indonesia is blessed with a rather diverse agricultural economy. As in the other countries of the area, Indonesia relies mainly on rice as the staple diet. Although the largest producer of rice in Southeast Asia, Indonesia has recently not been self-sufficient. Before the war, Indonesia generally was a net exporter of rice, although exports were not large. The increase in the Indonesian population, and the civil disorders of recent years have reduced her rice production. Only during the last year or two has she been able to approach the production totals of the prewar years. In 1950 Indonesia outstripped the 1930-40 annual average rice production by a half million tons, but she still had a deficit of a half million tons which had to be covered by imports.

Much of the Indonesian agricultural policy is directed toward increasing the acreage as well as the yield of rice, and for this purpose new strains of seeds are grown and new areas are being brought into production. In the meantime however Indonesia's food deficit has had to be covered by imports of rice from Burma, Thailand, and even the United States.

The agricultural raw materials which Indonesia contributed to the trade of the world have been varied and important. Pre-war the Netherlands East Indies supplied one third of the world's rubber, palm oil and coconut products, and sisal, two fifths of the world's kapok, four fifths of the world's pepper (most of the rest coming from Indo-China), and one fifth of the world's tea. She also supplied important amounts of coffee, sugar and cinchona.

Although rice production has returned roughly to the pre-war level, and rubber production has exceeded it, the production of other export commodities has been slow to recover. Copra production, although greatly increased since 1950, is still below prewar; palm oil and kernel production are about 70% of prewar. Coffee production has been very slow to rise. Two other commodities which formerly loomed large in Indonesian exports have lost their importance in world trade: cinchona has had to give way, to a large degree, to synthetic anti-malaria drugs, and kapok has had to fight the competition of fiberglass. Whether these commodities will become entirely surplus in the near future is difficult to forecast. For the present it seems clear, however,

that these two commodities will not again resume their important place in Indonesian export trade.

One of the agricultural commodities which quickly resumed its prewar eminence in the exports from Southeast Asia was rubber. As early as 1947 the various rubber producing countries restored pre-war production levels and by 1948 rubber production exceeded the previous year by 20%.

Despite the slump in rubber exports in 1949, Indonesia steadily increased her productive capacity. While in Indonesia internal stability began to return, civil strife in Malaya took a turn for the worse. The communist insurgents in Malaya have been able to substantially reduce rubber production, and Indonesia has taken her place as the world's principal supplier.

Whereas Indonesia exported 440 thousand and 305 thousand tons of rubber in 1937 and 1938 respectively, her exports in 1950 reached 681 thousand metric tons. This compared with Malayan exports of 668 thousand tons in 1950.

Whether Indonesia will be able to maintain its place as the major supplier of rubber to the world market remains to be seen. To a large degree it will depend on the events in Malaya where the recently undertaken stronger course of action against the communists has still to bear fruit.

Minerals

In the field of minerals the main commodities exported from the Republic of Indonesia are bauxite, the raw material for aluminum, tin, and petroleum. Recovery from the early post-war slump has been rapid, and bauxite production already exceeds the pre-war average. Petroleum has recovered its pre-war standing, and tin production is slightly above pre-war.

The bauxite industry is concentrated on two islands of the Indonesian Archipelago, Bintan and Kojang. The first is the larger producer, and the second produces better quality bauxite. Recently almost all Indonesian bauxite has been exported to the United States and to Japan.

The recent increase in the bauxite production of Indonesia is shown by the following figures: during the first eight months of 1950 bauxite production amounted to more than 370,000 tons, 40% more than the total annual production in 1940.

Tin production, which takes place on three small islands of the archipelago, Billiton, Bangka, and Singkep, has reached 108% of 1938 in 1950. The operation on Bangka is owned outright by the Indonesian government, the other two enterprises are partly government owned.

Prior to the war, some of the tin was smelted on the island of Bangka, but the smelter did not resume operation after the war. The ore is now exported to the

Netherlands and to the United States for smelting and resale on world markets.

Although Indonesia is blessed with coal deposits on Sumatra, Borneo and Celebes, the deposits are all lignites of low calorific value. Production has not recovered to pre-war levels due to lack of machinery and transport equipment, and due to the low economic value of the coal mined. 1950 coal production had recovered to only slightly more than half of the 1938 production of 1.46 million metric tons. The most important mines, located on the island of Sumatra, are government owned.

In regard to iron ore, Indonesia is well endowed quantitatively, having the largest resources of iron ore of any of the Southeast Asian countries. Qualitatively, Indonesia iron ore requires special smelting processes which at present are uneconomic. High grade resources of iron ore are very small.

Attempts to foster a domestic steel industry have foundered on the problem of converting the domestically mined coal into usable coke for blast furnace use. Consequently the future of a steel industry is bleak.

In contrast to the other countries of Southeast Asia, Indonesia has fairly substantial resources of sulphur. These are being exploited now for use in oil refineries which require sulphuric acid in substantial quantities.

The production of petroleum, which received its greatest impetus in the years just prior to the outbreak of World War II, has been characterized by rapid recovery and expansion.

Indonesia is, by far, the most important exporter and producer of petroleum and its byproducts in the Far East. By 1949 it had regained the export level of the

best prewar years, and this was accomplished without complete reconstruction of all damaged and destroyed facilities. In 1950 she exported 5.584 million metric tons of petroleum products. In barrels, Indonesian production in 1949 amounted to almost 45 million barrels.

In South Sumatra, on Borneo, and on Surabaya, there are petroleum refineries which refine not only domestic crudes, but also crude oil produced in British Borneo and Sarawak, both important producers of crude.

Not alone in present-day production, but also in petroleum reserves, Indonesia stands out among the countries of Southeast Asia. Compared with Burma's reserves of 50 million barrels, Indonesia can boast 1 billion, 100 million barrels of estimated reserves (1950); in terms of percentage of world reserves these figures amount to 0.06% and 1.43% respectively.

Hydro-electric power

Installed electric generating capacity in 1949 amounted to 140.4 thousand kw. of which about 26% was produced with water power. Rehabilitation and extension of existing facilities is the primary need in Indonesia, and the government has undertaken a five-year program looking toward a 100 thousand kw. increase in generating capacity. Part of this five-year plan will probably be financed by the Export-Import Bank of Washington.

As in the other nations of Southeast Asia, the estimates of the available water resources for hydro-electric power are spotty and not very reliable. The best estimates place Indonesia's hydro-electric resources at 26 billion kwh. firm potential power per year. At present only a very tiny fraction of this is being utilized.

A NOTE ON SOURCE MATERIAL

This study purposely omits detailed statistics and accounts of the various types of restrictions on trade and payments in the countries treated. There are several reasons for this omission:

1. It is impossible to be sufficiently up to date to be of use to the businessman who wants to establish commercial contacts with the countries or who wishes to invest capital. For his purposes only the most accurate and up-to-date material would be of value, while for the average reader it would be burdensome material.
2. It would unnecessarily increase the bulk of an already extensive document.
3. The unsettled conditions in most of the countries produce constant changes which are not always quickly known in the United States, thus preventing an accurate survey as of a certain recent date.
4. The dissemination of such information is properly the function of many trade organizations, banks, and government departments.

Bibliographical Note

The attached bibliography lists the most important source material consulted in the preparation of this study.

BIBLIOGRAPHY

Brookings Institution, Washington, D. C.

Major Problems of United States Foreign Policy 1950/51, 1951/52

Langer, William L.

An Encyclopedia of World History, Houghton Mifflin Co. 1948

Mills, Lenox A. and Associates

The New World of Southeast Asia, U. of Minnesota Press

Thompson, Virginia and Adloff, Richard

The Leftwing in Southeast Asia, Will. Sloane Ass. 1950

Statesman's Yearbook, 1949, 1950 Macmillan

United Nations

ECAFE, *Electric Power Resources and Needs of ECAFE Countries* Feb. 15, 1950

Report on Coal and Iron Ore Studies March 25, 1950

Postwar Development of Mineral Resources in Asia and the Far East May 1, 1951

Economic Survey of Asia and the Far East, 1949, 1950

United States Department of the Interior, Bureau of Mines, *Minerals Yearbook* 1948, 1949

United States Department of Commerce, *Foreign Commerce Yearbook* 1949

United States Senate Document 8, 82nd Congress, 1st Session
Basic Data Relating to Energy Resources

The New York Times

The Christian Science Monitor

The Wall Street Journal

The Journal of Commerce

The Economist, London

Foreign Policy Bulletin, Foreign Policy Association

Foreign Affairs Quarterly

Annals of the American Academy of Political and Social Sciences, March, July, 1950; July, September, 1951.

Brookings Institution, *Current Developments in U. S. Foreign Policy*

Foreign Commerce Department Committee

1951-52

RICHARD L. BOWDITCH, *Chairman*
President, C. H. Sprague & Son Company

*WALTER J. BRAUNSCHWEIGER
Executive Vice President
Bank of America

HORACE S. CLEVELAND
Pleasureville, Kentucky

JOHN S. COLEMAN, President
Burroughs Adding Machine Company

*J. F. CURTIS, President
The Coca-Cola Export Corporation

*C. E. DALTON, Regional Director for Europe, Middle
and Near East
Ford International

H. A. DAVIES, Director-General
Latin American Operations
International Harvester Company

**PAUL DIETZ, Manager
Export Department
General Machinery Division
Allis-Chalmers Manufacturing Company

HENRY W. FARNUM, Vice President
Insurance Company of North America

E. W. FAULK, Vice President
The Merchants National Bank of Mobile

J. D. HELTHALL, Executive Vice President
Schenley International Corporation

*W. L. HEMINGWAY, Chairman of the Board
Mercantile-Commerce Bank and Trust Company

DR. O. B. JESNESS, Chief
Division of Agricultural Economics
University of Minnesota Farm

R. A. LIGGETT
Vice Chairman of the Board
First National Bank of Tampa

*JOHN L. LOCKE, President
Fisher Flouring Mills Co.

W. H. LUKENS, Vice President and General Sales
Manager

R. M. Hollingshead Corporation

AUGUST MAFFRY, Vice President
Irving Trust Company

*E. H. MARTINDALE
The Martindale Electric Co.

STACY MAY
International Basic Economy Corp.

CHARLES A. MEYER
Foreign Administration
Sears, Roebuck and Co.

G. H. MICHLER, Executive in Charge of Foreign
Government Relations
Standard Oil Company of New Jersey

SYDNOR ODEN
Anderson, Clayton & Co.

*GEORGE E. QUISENBERRY, Vice President
McGraw-Hill International Corporation

R. R. REGER, Manager of Export Sales
Sperry Gyroscope Company

MORRIS S. ROSENTHAL, President
Stein, Hall & Co., Inc.

HENRY J. SEESELBERG, President
Wessel, Duval & Company

*JOHN H. SHEEHAN, Head
Department of Economics
University of Notre Dame

FRED G. SINGER
Development Department
E. I. du Pont de Nemours & Co., Inc.

A. B. SPARBOE, Division President
Flour Milling Division
Pillsbury Mills, Inc.

JAMES H. STEBBINS, Vice President
W. R. Grace & Company

*HAROLD J. STEELE, Vice President
H. M. Newhall and Co.

WILLIAM R. STRELOW, Vice President
Guaranty Trust Company of New York

WILLIAM S. SWINGLE, President
National Foreign Trade Council, Inc.

*J. B. THOMAS, Vice President
International Editions, Inc.
The Reader's Digest

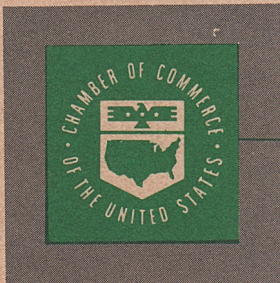
R. C. THOMPSON, Manager
Export Division
The Electric Auto-Lite Company

HARRY R. TOSDAL
Professor of Business Administration
Harvard University

*HOWARD I. YOUNG, President
American Zinc, Lead and Smelting Co.

KENNETH H. CAMPBELL, *Secretary*
Manager, Foreign Commerce Department
Chamber of Commerce of the USA
Washington 6, D. C.

Note: ** Chairman of the Southeast Asia Subcommittee.
* Member of the Subcommittee.



**A NATIONAL FEDERATION WORKING FOR
GOOD CITIZENSHIP, GOOD GOVERNMENT AND GOOD BUSINESS**